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IN THE

Supreme Court of the United States

October Term, 1968

No. 1007

KATHLEEN MOGLIA,

Petitioner,

v.

JAMES GEOGHEGAN, PHILIP STACK, BENEDICT CIAVOLELLA, JOHN CODY, FRANK M. CAMPBELL, CHARLES J. MURPHY, FRANK L. KELLY, EDWIN E. REGNELL, JR., DUDLEY A. SAUNDERS, JOSEPH J. RYAN, WALTER SCHOFFMAN, ABRAHAM SCHWEBEL, CHARLES R. HERSEY and A. LAWRENCE GEROSA, as Trustees of Local 282—PENSION TRUST FUND,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

ISIDORE ENGLANDER
Attorney for Petitioner
250 West 57th Street
New York, N. Y. 10019

HERMAN ENGLANDER
Of Counsel

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In The

Supreme Court of the United States

October Term, 1968

No. .....

Kathleen Moglia,

Petitioner,

v.

James Geoghegan, Philip Stack, Benedict Ciavolella, John Cody, Frank M. Campbell, Charles J. Murphy, Frank L. Kelly, Edwin E. Regnell, Jr., Dudley A. Saunders, Joseph J. Ryan, Walter Schoffman, Abraham Schwebel, Charles R. Hersey and A. Lawrence Gerosa, as Trustees of Local 282—Pension Trust Fund,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner respectfully prays that a writ of certiorari issue to the United States Court of Appeals for the Second Circuit to review the judgment of that Court dated November 6, 1968 (reprinted in Appendix A hereto), affirming judgment dismissing petitioner's complaint entered in the United States District Court for the Southern District of New York.

Opinions Below

The District Court opinion is reported at 267 F. Supp. 641. It is separately presented in Appendix B hereto. The opinion of the Court of Appeals, printed in Appendix C hereto, is reported at 403 F.2d 110.

Jurisdiction

The judgment of the Court of Appeals was entered on November 6, 1968. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254 (1).

Questions Presented

1. Whether the Trustees of a union pension fund established and maintained pursuant to the Taft-Hartley Act (Section 302 of the Labor-Management Relations Act of 1947, 29 U.S.C. § 186) are barred from making pension payments to the intended beneficiary of a pension trust fund created from employer contributions made within the exceptions permitted under Section 302(c) (5) of the Act, 29 U.S.C. § 186(c)(5), solely because of the absence of an executed written agreement between the employer and the union specifying the detailed basis upon which payments into the fund were to be made by the employer.

2. Whether, having accepted the employer's monthly contributions into the fund for a period of twelve years, having regularly audited the employer's books in order to assure that payments into the fund were being made in the proper amounts, and having regularly mailed letters and literature of the fund to the employee, for whose benefit the contributions were made by the employer and accepted by them, the Trustees are not estopped from denying pension benefits to the intended beneficiary solely on the ground that there was no executed written agreement with the employer.

3. Whether the employer's conduct and action in observing the terms of the collective bargaining agreement attached to the trust agreement by paying uniform union scale wages and by making the required contributions to the trust fund were not tantamount to ratification and adoption of a written agreement by the employer even though it had not executed it.

Statute Involved

The statute involved is Section 302 of the Labor-Management Relations Act of 1947, 29 U.S.C. § 186. Section 302(a) and (b) provide as follows:

> (a) It shall be unlawful for any employer or association of employers or any person who acts as a labor relations expert, advisor, or consultant to an employer or who acts in the interest of an employer to pay, lend, or deliver, or agree to pay, lend, or deliver, any money or other thing of value—
>
> (1) to any representative of any of his employees who are employed in an industry affecting commerce; or
>
> (2) to any labor organization or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce;
>
> * * *
>
> (b)(1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a) of this section.

Section 302 (c)(5) reads:

> (c) The provisions of this section shall not be applicable. . . . (5) with respect to money or other other thing of value paid to a trust fund established by such representative, for the sole and exclusive benefit of the employees of such employer, and their families and dependents (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents): Provided, that (A) such payments are held in trust for the purpose of paying, either from principal or income or both, for the benefit of employees, their families and

dependents, for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such fund, together with such neutral persons as the representatives of the employer and the representatives of employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in event of their failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group, be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such otherplaces as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; . . . .

Section 302(d) provides:

(d) Any person who willfully violates any of the provisions of the section shall, upon conviction thereof, be guilty of a misdemeanor and be subject to a fine of not more than $10,000 or to imprisonment for not more than one year, or both.

Section 302(e) states:

> (e) The district courts of the United States and the United States Court of the Territories and possessions shall have jurisdiction, for cause shown, and subject to the provisions of Section 381 of Title 28 (relating to notice to opposite party) to restrain violations of this section, without regard to the provisions of Section 17 of Title 15 and Section 52 of this title, and the provisions of sections 101-115 of this title.

Statement of the Case

Petitioner instituted suit seeking a declaratory judgment pursuant to 28 U.S.C. § 2201 and Rule 57 of the Federal Rules of Civil Procedure, declaring her to be entitled to receive payments under the Pension Plan of Local 282-Pension Trust Fund and to other incidental relief. Jurisdiction in the district court was founded on the existence of a question arising under the Labor-Management Relations Act, § 302, 29 U.S.C. § 186, making the action one of which the district court had original jurisdiction pursuant to 28 U.S.C. § 1337.

Upon joinder of issue, petitioner moved for summary judgment and respondents cross-moved for similar relief on their counterclaim, on the ground that petitioner was not entitled to the relief she sought. The district judge (Ryan, J.) denied both motions with leave to reargue before him upon unqualified concession by petitioner that, although the complaint pleads to the contrary, there was no collective bargaining agreement between the employer of petitioner's husband and his union.

Petitioner therafter moved for reargument upon an affidavit containing a stipulation as to the absence of a collective bargaining agreement. Thereupon the district judge denied petitioner's motion and granted respondents' and dismissed the complaint.

Petitioner then appealed. The Court of Appeals affirmed the result reached in the District Court.

The Court ruled that, in the absence of an executed written agreement as required by subsection 302(c)(5)(B) of the Labor-Management Relations Act of 1947, 29 U.S.C. § 186(c)(5)(B), petitioner was not a person who could, under Section 302, lawfully be paid pension benefit payments from the Trust Fund (App. C, pp. 25a-29a), and that, for the same reason, the Court was without power to invoke the theory of equitable estoppel as a basis for allowing payment of pension benefits from the Fund (App. C, pp. 29a-30a). It also ruled that the employer's conduct and action in observing the terms of the collective bargaining agreement attached to the trust agreement by paying uniform union scale wages and by making contributions to the trust fund did not constitute ratification, or any adoption, of the collective bargaining agreement by the employer (App. C, pp. 30a-32a).

All facts material for a determination herein are undisputed:

Petitioner is the widow of John J. Moglia (Moglia) who died on August 7, 1966.

For many years prior to his death, and at all times relevant hereto, Moglia had been a member in good standing of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Local 282 (Local 282), a labor organization representing employees of employers engaged in industries affecting commerce within the meaning of Section 302(a)(2) of the Labor-Management Relations Act of 1947, 29 U.S.C. § 186 (a)(2).

From 1937 until April, 1965, Moglia was employed by Elmhurst Contracting Company, Inc., or its successor (Elmhurst), both of which were employers within the meaning of Section 302(a) of the Act.

Respondents are the Trustees (Trustees) of the Local 282-Pension Trust Fund (Fund) which was established in 1955 by Local 282 and various employers who had entered into collective bargaining agreements with the Local and was a trust fund within the meaning of Section 302(c)(5) of the Act. The Fund was the successor of other trust funds in which the Local had theretofore participated and was created by execution of an agreement and declaration of trust (Trust Agreement).

Since 1959, a collective bargaining agreement typical of the ones in effect between Local 282 and various employers has been printed together and physically attached to the front of the Trust Agreement. Section 12 of the collective bargaining agreement gives the detailed basis upon which the employers are required to contribute to the Fund—that is, the dollars and cents for each employee for each hour, the limit on the payments and the time when payments are due (App. B, p. 10a).

From July 1, 1953, through March 31, 1965, Elmhurst made payments to the Fund on behalf of Moglia, and such payments were received and accepted by the Fund. Elmhurst never signed a collective bargaining agreement with Local 282 but it made the payments apparently in the amounts required under the applicable collective bargaining agreement as though it had executed such agreement.

During the period that Elmhurst made, and the Fund accepted, such payments, the books of Elmhurst were regularly audited by auditors for the Fund to assure that such payments were in the proper amounts.

Moglia was on the Fund's mailing list containing the names of employees on behalf of whom payments were made to the Fund and regularly received booklets, literature and correspondence from the Fund.

On April 15, 1965, listing Elmhurst as his only employer, Moglia filed an application for a pension with the Fund and thereafter respondents, as Trustees of the Fund, rejected the application.

It is uncontroverted that Moglia's age, length of service, and other qualifications for benefits under the Pension Plan of the Fund at the time of filing his application for a pension, and up to the time of his death, were such that, if he were entitled to benefits under the Pension Plan, he would have been entitled to payments for life commencing May 1, 1965, at the rate of $200.00 per month. If Moglia was entitled to these payments and he did not receive any of them during his lifetime, petitioner. as his widow, would be entitled, pursuant to the provisions of the Pension Plan, to receive them for a period of thirty-six months, commencing May 1, 1965.

Reasons for Granting the Writ

That the denial of pension benefits to petitioner, and to her husband prior to his death, is a grave injustice is admitted by all involved. The Trustees have alleged that their decision is based upon advice of counsel and their good faith interpretation of their duties and obligations as fiduciaries of the Fund. Their counsel has freely expressed his regret that his interpretation of the applicable statute and trust instruments left him no recourse but to advise the Trustees against paying the pension benefits. Throughout the proceedings before him, Judge Ryan repeatedly declared his determination, if at all possible, to direct payment of the pension benefits. And, the Court of Appeals found petitioner's case to be "compelling and . . . appealing" (App. C, p. 29a).

The one person clearly and wholly innocent of any wrong doing and without fault in this matter is the petitioner, as was her husband before his death (App. C, p. 28a). According to the District Court, in arguing that to pay the benefits sought by petitioner they would be violating Section 302 of the Act, the Trustees acknowledge that, in accepting the payments from Elmhurst, they were guilty of violating the statute, because acceptance of the moneys

by the representative of the employees is what is literally and expressly prohibited by the statute (App. B, p. 15a). Under these circumstances, to deny to petitioner the relief sought by her (as to which all agree she is morally, if not legally, entitled) and to allow the Trustees (the very ones responsible for permitting "the state of affairs to reach this deplorable condition"—App. C, p. 34a) to escape with a reprimand and a warning (App. B, pp. 17a-18a; App. C, pp. 33a-34a), is to plead impotence in the face of a grave and manifest injustice.

The effect of the holding in this case is bound to affect the pension rights not only of the petitioner but of literally thousands of others all over the United States. This is by no means an isolated instance (App. C, p. 33a). According to counsel for many Taft-Hartley Pension Funds, the practice of trustees of such funds of accepting employer contributions without checking their office records to verify the existence of executed written agreements with individual employers before accepting such payments is quite common. Notwithstanding the absence of such executed written agreements, the trustees of such funds have over the years been making payments of pension benefits to the intended beneficiaries on advice of some counsel that the required written agreement need not be executed or on the advice of other counsel that the statutory requirement of a written agreement is limited to employer contributions made into the fund and does not affect the right of the intended beneficiaries to receive pension benefits. Such conflict of opinions among counsel is in part attributable to the fact that the decision of the Court of Appeals herein is the first of any appellate court dealing with the statutory requirement of a written agreement and its applicability to the payment of pension benefits to the intended beneficiaries of Section 302 trust. Since this case concerns the interpretation of basic statutory requirements for participation in union pension funds established and maintained pursuant to the Taft-Hartley Act and is of

vital importance to the administration of such funds throughout the country, and the interpretation thereof affects the rights of pensioners, their widows and orphans, to pension benefits, the need for a definitive ruling by this Court is clearly indicated.

I. The Statutory Requirement of a Written Agreement

The District Court, in denying petitioner's and granting respondents' motion for summary judgment, and the Court of Appeals, in affirming, concurred in the belief that the absence of an executed written agreement between Elmhurst and Local 282 detailing the basis upon which payments were to be made by Elmhurst, on behalf of its employees, into the Fund, pursuant to subsection 302(c)(5)(B) of the Act, is fatal to petitioner's demand for pension benefits (App. B, p. 14a; App. C, pp. 26a, 30a-32a). As Circuit Judge Waterman has phrased it: "Absent the written agreement, there is no valid Section 302 trust as to those employer contributions; the parties making and accepting such contributions are violating Section 302, and the intended beneficiary of the illegal employer contributions has no legal right under Section 302 to the benefits normally derived from employer contributions to the trust fund" (App. C, pp. 27a-28).

Admittedly, in the absence of any agreement specifying the detailed basis on which payments are to be made into the Fund, there is no valid Section 302 trust. However, when there is in existence a collective bargaining agreement specifying the detailed basis on which payments into the Fund are to be made (as there is here) and payments are made into the Fund in accordance with the terms thereof (as there were here), then the statutory requirement is satisfied even though there is no executed agreement between an individual employer and the Fund. Analysis of Section 302 of the Act and examination of the authorities lend support to this position.

Section 302(a) of the Act prohibits the payment by an employer of "any money or other thing of value" to a representative of employees employed in an industry affecting commerce. Section 302(b) prohibits the receipt of such payment by such an employee-representative. Section 302(c) carves out five specific exceptions whereby payments, otherwise prohibited by subsections (a) and (b), are permitted, the fifth of which, (c) (5), relates to payments to welfare funds and provides that the prohibitions specified in (a) and (b) of the section do not apply to payments made to a trust fund established for the sole and exclusive benefit of the employees of such employer, and their families and dependents.

There are a number of safeguards thrown about subdivision (c) (5) in order to assure that the trust so established is *bona fide* and that there is proper administration thereof. According to (A), "such payments" must be held in trust "for the purpose of paying . . .for the benefit of employees, their families and dependents . . . pensions on retirement or death of employees . . .". (B) provides that there must be a written agreement with the employer specifying the detailed basis on which "such payments" into the fund are to be made and that there must be equal representation of employees and employers in the administration of such fund, and, finally, (C) requires that "such payments" are to be made to a separate fund "which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities". (Since the denial of pension benefits to petitioner are predicated upon the absence of the written agreement provided for in (B), it may not be amiss at this time to note that (A), (B) and (C) refer to "such payments", meaning thereby payments made into the fund, and not payments made to employees, their families and dependents for whose benefit the fund was established and on whose behalf payments have been made into the fund by the employer.)

The reasons impelling Congress to enact Section 302 of the Act were stated by Mr. Justice Stewart in Arroyo v. United States, 359 U. S. 419, at 425-426:

> "The provision was enacted as part of a comprehensive revision of federal labor policy in the light of experience acquired during the years following passage of the Wagner Act, and was aimed at practices which Congress considered inimical to the integrity of the collective bargaining process.
>
> ". . . Those members of Congress who supported the amendment were concerned with corruption of collective bargaining through bribery of employee representatives by employers, with extortion by employee representatives, and with the possible abuse by union officers of the power which they might achieve if welfare funds were left to their sole control . . .
>
> "Congress believed that if welfare funds were established which did not define with specificity the benefits payable thereunder, a substantial danger existed that such funds might be employed to perpetuate control of union officers, for political purposes, or even for personal gain. . . . To remove these dangers, specific standards were established to assure that welfare funds would be established only for purposes which Congress considered proper and expended only for the purposes for which they were established."

As for the purpose that Congress had in mind in the enactment of subsection (c)(5), it is clearly spelled out therein. Furthermore, (A) expressly provides that the payments made for the sole and exclusive benefit of the employees, and their families and dependents, must be held in trust for the purpose of paying for the benefit of such persons, among other things, pensions on retirement or death of employees. It is precisely because the courts are cognizant that in making this exception, (c)(5), Congress intended to encourage and foster the creation and extension of union welfare funds, that they have invariably leaned

backwards in upholding the right of employees and their dependents to union welfare benefits. *United Mine Workers* v. *Daniel* (1958, Ky.) 317 S.W. 2d 183; *Forrish* v. *Kennedy* (1954) 377 Pa. 370, 105 A. 2d 67; *Thomas* v. *Kennedy* (1955) 57 Lack. Jur. 85, 7 Pa. D.&C. 2d 613, aff'd 387 Pa. 636, 130A. 2d 97; *Hobbs* v. *Lewis* (1958, D.C., D.C.) 159 F. Supp. 282.

The reason for requiring a written agreement specifying the detailed basis on which payments into the fund are to be made, (c)(5)(B), is to "define with specificity" (*Arroyo* v. *United States*, supra, at p. 426) the payments to be made into the fund. In the absence of such a provision, Congress believed that pension and welfare funds might be employed as a cloak for the commission of acts prohibited by (a) and (b) of Section 302 of the Act, or to perpetuate control of union officers, or for political purposes. The congressional scheme was designed to prevent such abuses by requiring that payments into the fund be made in accordance with an instrument spelling out in such detail and with such exactitude the payments to be made that the administration of the funds' assets could be controlled and checked by union members, employer-representatives and governmental agencies. Congress was not concerned with the form of the instrument but with its substance. To carry out the congressional purpose it does not matter whether the instrument be a collective bargaining agreement, trust agreement or any other document as long as it specifies the detailed basis on which payments into the fund be made. The reason why the statute calls for an agreement is presumably because Congress assumed that the provisions specifying the basis of the contributions would be incorporated in a collective bargaining or trust agreement. The reason why Congress did not specify the kind of agreement is because its form does not matter, provided it spells out with a fair degree of specificity the basis on which payments into the fund be made.

That the collective bargaining agreement of Local 282, printed together and attached to the Trust Agreement, satisfies the statutory requirement in giving the detailed basis upon which the employers are required to contribute to the Fund, has not been questioned. Had Elmhurst, therefore, been a party to this collective bargaining agreement (which, in fact, it was by reason of its conduct and actions in observing the terms of the agreement insofar as payment of uniform union scale wages and making contributions to the Fund, which payments were accepted by the Fund, and the correctness of which payments were regularly verified by the auditors for the Fund) petitioner's right to pension benefits would not be in dispute. In denying to petitioner the relief sought by her, both courts below have done so solely because of the absence of an executed written agreement between Elmhurst and Local 282 (App. B, p. 13a; App. C, pp. 31a-32a). In holding that the written agreement with the employer must be executed, both courts have overlooked the fact that subsection (c)(5)(B) of the Act requires only that there be a written agreement; there is no requirement that the agreement be signed. It was so held in *Dunbar* v. *Painters & Glaziers Dist. Coun.* (D.C., D.C., 1955) 129 F. Supp. 417 at 423:

> "The words are: 'The detailed basis on which such payments are to be made is specified in a written agreement with the employer.' It has been argued on one side that this language should be strictly construed. It has been argued on the other side that it should be liberally construed. It has been argued that it means a signed agreement. The other side contends that it means an agreement reduced to writing, if there is a meeting of minds and an assent thereto.
>
> "The Court rules as a matter of law that this requirement of the Taft-Hartley Act is nothing more than the requirement that there shall be a written agreement. It does not declare that it shall be a signed statement. If that were necessary, Congress undoubtedly would have put it into the act itself."

The failure of Congress to require that the written agreement be signed, stronly reinforces petitioner's position that to satisfy the requirement of subsection (c)(5)(B) of the Act it is merely required that there be in existence a written agreement specifying the detailed basis on which payments into the fund are to be made (as there was here) to which the employer assents either expressly or by making payments into the fund in accordance with the terms of the existing instrument (as was done here by Elmhurst). It is precisely because Congress had in mind a situation such as there is here that it did not require that the agreement be executed.

II. The Applicability of the Principle of Equitable Estoppel

In response to petitioner's request that the Court invoke the theory of equitable estoppel as a basis for allowing pension benefits from the Fund, the Court of Appeals, without passing on the merits of petitioner's argument insofar as it is directed to respondents' invocation of the terms of the trust agreement to deny her any pension benefits, ruled that the absence of the essential element of the written agreement required by subsection 302(c)(5)(B) barred its invocation (App. C, p. 29a).

The arguments already advanced have, it is believed, demonstrated that the statutory requirement of a written agreement, (c)(5)(B), has been fully satisfied. By the same reasoning it has also been established that Elmhurst was in fact a party to Local 282's collective bargaining agreement. But, even if that were not so, for the Trustees to base their refusal to grant to petitioner pension benefits on the asserted absence of a collective bargaining agreement, as called for by the Fund's trust instrument, when it was their conduct, which Judge Ryan has charitably characterized as "grossly negligent" (App. B, p.

17a), which was responsible for the acceptance of Elmhurst's monthly contributions for over twelve years in what they assert (but petitioner does not) is in express violation of Section 302(b) of the Act and of their fiduciary obligations as Trustees, borders on the outrageous.

The one person clearly and wholly without fault in the matter is the petitioner, as was her husband before his death. Moglia was a member in good standing of Local 282 from 1937 to the time of his death. Elmhurst contributed to the Fund on his behalf for over twelve years, and the Trustees received and accepted its contributions. Elmhurst' books were regularly audited by the Fund's auditors. The Fund corresponded with Moglia and Elmhurst regarding various aspects of the trust. Moglia knew of the existence of the trust, relied on it, and looked to its Plan for benefits in times of sickness, old age, and even in death. It was only sometime after having retired and filed his application for a pension that he was advised by the Trustees that they were questioning his right to pension benefits because of their claim, made for the first time, that there was no written agreement between Elmhurst and Local 282.

Under these circumstances, to paraphrase this Court in *Kirk* v. *Hamilton,* 102 U.S. 68, at page 79: The Trustees should not now be heard to say that that is not true which their conduct unmistakably declared was true and upon the faith of which Moglia acted.

III. Elmhurst's Adoption and Ratification of the Collective Bargaining Agreement

The Court of Appeals rejected petioner's argument that Elmhurst's conduct and action in observing the terms of Local 282's collective bargaining agreement attached to the trust instrument by paying uniform union scale wages and by making contributions to the Fund were tantamount

to ratification and adoption of a written agreement by Elmhurst, even though it had not signed it, on the ground that the statute required execution of the written agreement and on the further ground that two essential elements of a contract, mutuality of agreement and mutuality of obligation, were lacking (App. C, pp. 30a-32a).

It has already been shown that subsection 302 (c) (5)(B) does not require that the written agreement be signed (*Dunbar* v. *Painters & Claziers Dist. Coun.* supra).

It is not subject to dispute that Elmhurst, while it did not formally affix its signature to the printed form of the collective bargaining agreement promulgated by Local 282, indicated its knowledge of, and acquiescence in, the terms thereof, both by its employment of teamsters who were members of Local 282 and by its contributions to the Fund. Since Elmhurst would not have been entitled to the services of members of Local 282 unless it agreed to such terms, there is valid legal consideration for the implicit agreement between Elmhurst and Local 282 to make payments to the jointly administered Fund.

This implicit agreement is fortified by a long and continued course of conduct on Elmhurst's part. From at least 1937 to April, 1965, Elmhurst employed members of Local 282 and paid them uniform union scale wages. Elmhurst's payments into the Fund had continued from July 1, 1953, through March 31, 1965, without interruption, and the Trustees throughout that period had accepted Elmhurst's monthly contributions into the Fund, and their auditors had regularly audited Elmhurst's books.

These acts and this course of conduct on the part of both Elmhurst and the Trustees are sufficient to spell out mutuality of agreement as well as mutuality of obligation.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

January 28, 1969

ISADORE ENGLANDER
Attorney for Petitioner
250 West 57th Street
New York, N. Y. 10019

HERMAN ENGLANDER
of Counsel

APPENDIX A

(Judgment of Affirmance of Court of Appeals)

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

At a Stated Term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Courthouse in the City of New York, on the sixth day of November, one thousand nine hundred and sixty-eight.

Present:

HON. STERRY R. WATERMAN,
HON. WILFRED FEINBERG,
Circuit Judges,

HON. ROBERT C. ZAMPANO,
District Judge.

KATHLEEN MOGLIA,
Plaintiff-Appellant,

v.

JAMES GEOGHEGAN, PHILIP STACK, BENEDICT CIAVOLELLA, JOHN CODY, FRANK M. CAMPBELL, CHARLES J. MURPHY, FRANK L. KELLY, EDWIN E. REGNELL, JR., DUDLEY A. SAUNDERS, JOSEPH J. RYAN, WALTER SCHOFFMAN, ABRAHAM SCHWEBEL, CHARLES R. HERSEY and A. LAWRENCE GEROSA, as Trustees of Local 282 Pension Trust Fund,
Defendants-Appellees.

Appeal from the United States District Court for the Southern District of New York.

Appendix A

This cause came on to be heard on the transcript of record from the United States District Court for the Southern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged, and decreed that the judgment of said District Court be and it hereby is affirmed with costs to be taxed against the appellant.

A. DANIEL FUSARO
Clerk

(United States Court of Appeals Second Circuit, Filed November 6, 1968, A. DANIEL FUSARO, Clerk.)

APPENDIX B

(Opinion of District Court)

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

[SAME TITLE]

RYAN, J.:

Plaintiff and defendants have moved for sumary judgment. On the undisputed and stipulated facts, for the reasons hereinafter given, we have denied plaintiff's motion and granted defendants judgment on the merits.

Plaintiff is the widow of John J. Moglia, who at the time of his death on August 7, 1966 was a member in good standing of Local Union No. 282, affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers. Plaintiff has filed this action under Section 302 of the L.M.R.A. (Section 186 Title 29, U.S.C.) for a judgment declaring that she, as Moglia's widow, is entitled to payments under the Pension Plan of Local 282—Pension Trust Fund, established under Section 302(c)(5) of the Act—of $200 per month for a period of 36 months commencing May 1, 1965 and directing the defendants, as Trustees of the Fund, to make such payments.

Defendants, Trustees, denying plaintiff's right to such payments from the Pension Trust Fund, have counterclaimed for judgment declaring that plaintiff is not entitled to the Pension Trust Fund payments she seeks.

Plaintiff contends that, since her deceased husband's employer had made payments to the pension trust fund on behalf of its employee, and the Trustees had accepted these payments, they should be and are equitably estopped from denying pension benefits to her.

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The defendants, Trustees' position is that, since the statute providing for pension trust funds requires the existence of an agreement spelling out the detailed basis on which payments to it are to be made, in the absence of such an agreement, the Trustees would be violating the statute if they were to make the payments sought, that their decision not to do so has been made in good faith and that there is no equitable estoppel requiring them to do otherwise.

It appears undisputed that Moglia, prior to his death and on April 15, 1965, had filed an application with the Trustees for a pension and that the Trustees had denied the application on the ground that Moglia's employer, Elmhurst Contracting Company, Inc. (from 1937 through March 31, 1965) had never signed a collective bargaining agreement with Local 282.

Although the complaint pleads to the contrary, it has now been stipulated by plaintiff that there never was a collective bargaining agreement between the employer of plaintiff's husband and the Union.

The motions before us present but one issue of law: may the defendants, Trustees, lawfully pay the pension benefits sought by plaintiff as the widow of an employee of Elmhurst, in the absence of a collective bargaining agreement and a written trust agreement between the employer and the Union. We have concluded that they may not.

We accept the following undisputed facts:

For many years prior to his death, decedent was a member in good standing of Local Union No. 282, a labor organization representing employees of employers engaged in industries affecting commerce within the meaning of Section 302(a)(2) of the Labor-Management Relations Act of 1947, as amended. From 1937 until April, 1965, the decedent was employed by Elmhurst Contracting Company, Inc., or its successor, both of which were employers within

the meaning of Section 302(a) of the Act. From July 1, 1953, through March 31, 1965, the employer of decedent made payments to the Fund on behalf of the decedent, and such payments were received and accepted by the Fund. On April 15, 1965, the decedent filed an application for a pension with the Fund and thereafter defendants, as Trustees of the said Fund, rejected this application for a pension.

The decedent's age, length of service, and other qualifications for benefits under the Pension Plan of the Fund at the time of filing his application for a pension, and subsequent thereto up to the time of his death, were such that, if he was entitled to benefits under the said Pension Plan, he would have been entitled to payments for life commencing May 1, 1965, at the rate of $200.00 per month. If the decedent was entitled to receive benefits for life commencing May 1, 1965, at the rate of $200.00 per month, the decedent not having received any such benefits up to the time of his death, plaintiff, as the surviving wife of the decedent would be entitled, pursuant to Article II, Section 8 of the Local 282—Pension Plan, as amended, to receive payments for a period of 36 months commencing May 1, 1965, at the same rate.

The collective bargaining agreements between Local 282 and employers of employees represented by it require regular specified payments to be made by such employers to the Fund on behalf of their employees. Elmhurst never signed a collective bargaining agreement with Local 282 but it made the payments apparently in the amounts required under the applicable collective bargaining agreement as though it had executed such agreement.

No claim is made that the Trustees acted in bad faith in refusing to make payments to plaintiff. It is uncontroverted that they are acting on advice of counsel. When Moglia's application on the basis of his employment with Elmhurst was received at the Trustees' office in April,

1965, a search was made by the Fund Administrator for a copy of the collective agreement and counterpart trust fund agreement, but none could be found. A further search was made by the Fund Administrator in the files of the Union Office and none found there; the Fund Administrator then inquired of the officials of the Union and was informed that none had ever been entered into in spite of the Union's many attempts to have Elmhurst execute one.

The claim of the Local that, for many years, it had attempted to have Elmhurst execute such an agreement and that it repeated its attempts recently after the rejection of plaintiff's application, is undisputed. [It appears that even of this late date such an execution could validate pension payments to plaintiff (*Bey* v. *Muldoon,* 217 F. Supp. 401).]

These facts were reported to the Trustees at their meeting on June 15, 1965 and action was deferred until they had consulted counsel. At the following meeting of Trustees, which decedent attended with his attorney, the Trustees were informed that Elmhurst had been paying into the Fund and that they had been accepting such payments into the Fund. On the opinion of their attorney that they could not legally pay Moglia pension benefits, they rejected his application and, on March 1, 1966, a check in the amount of $4,435.93, representing $3,500 paid on behalf of Moglia and other employees, was sent to Elmhurst, one of whose officers promptly returned it because he understood that Moglia's attorney was contemplating legal action. The sum remains segregated for Elmhurst subject to the Court's disposition of the action.

The Pension Trust Fund was created in 1955 by Local Union No. 282 with various employers who had entered into collective bargaining agreements with the Union and 14 Trustees—4 designated by the Union and 10 designated by the employers, exercising control by one vote each.

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It was founded by execution of an agreement and declaration of trust—the "Trust Agreement" as the successor to other trust funds in which the Union had theretofore participated.[1]

The condition precedent that there be a collective bargaining agreement is stated by the recital in the preamble that "the Union and the Employers have entered into written collective bargaining agreements requiring payments by the Employers for the purpose of providing a pension and welfare program for the employees covered by said agreements. . . .". The Trust Agreement (T.A.) and the Rules and Regulations of the Pension Fund (R & R) set forth the following definitions.

> Employer: Each employer who has duly executed a collective bargaining agreement with the Union and who is a signatory to this agreement, and also any employer not presently a party to such collective bargaining agreement who hereafter executes such agreement provided that such employer satisfies the requirements for participation as established by the Trustees and agrees to be bound by the terms and provisions of this Agreement and Declaration of Trust, and becomes a party hereto. (Article I, §1, T.A.)
>
> Any employer who is obligated by his collective bargaining agreement with the Union to contribute to the Pension Trust Fund (Art. I, §4, R & R).
>
> Employee: All Employees covered by and who fulfill the conditions of the collective bargaining agreements in effect between the Employers and the Union (Art. I, §3, T.A.)

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[1] This agreement was amended through April 15, 1965 (the date on which plaintiff's husband applied for a pension), but in no significant respect as to its terms and definitions.

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Any person who is employed by an Employer in an employment for which the Employer is obligated by his agreement with the Union to contribute to the Pension Trust Fund (Art. I, §5, R & R).

Employer Contributions: Payments by Employers to either of the Trust Funds created in accordance with the collective bargaining agreement (Art. I, §7, T.A.).

Collective Bargaining Agreement: Any written collective bargaining agreement entered into between an Employer and the Union (Art. I, §11, T.A.).

Any written collective bargaining agreement executed by an Employer and the Union requiring contributions to the Pension Fund (Art. I, §9, R & R).

Under the Trust Agreement, the Union and the Employer created and established with the Trustees the Local 282 Pension Trust Fund with monies derived from Employer contributions "pursuant to written collective bargaining agreements made for the purpose of providing pension benefits," and empowered the Trustees to formulate rules and regulations relating to eligibility of Employees. It also provided that:

> "The Trustees shall have power to construe the provisions of this Agreement and Declaration of Trust and the terms used herein and any construction adopted by the Trustees in good faith shall be binding upon the Union, the Employees and the Employers." (Art. V, §3 T.A.).

The relevant provision of the Trust Agreement is Article V, Section 4. Section 4(a) permits the Trustees to pay necessary expenses. Section 4(b) states the only purpose for which the Fund may be used or applied is as follows:

> "(b) To pay or provide for the payment of retirement or other benefits to eligible Employees in

accordance with the terms, provisions and conditions of the pension plan to be formulated and agreed upon hereunder."

Under the Rules and Regulations, it is further provided that:

> "An eligible Employee who makes application in accordance with these rules shall be entitled, upon retirement, to receive the monthly benefit provided for the remainder of his life, subject to all the provisions of this Pension Plan." (Art. VI, §1, R & R).

Respecting Employers' contributions, it provided that:

> "detailed written reports shall be submitted to the Trustees by the Employers together with each payment . . . The Trustees may at any time audit the pertinent books and records of any Employer in connection with the above." (Art. VI, §1(c) T.A.).

and that

> "Each Employer shall promptly furnish to the Trustees on demand any and all records of his Employees' concerning the classification of such Employees, their names, social security numbers, the amount of wages paid, and hours worked, and any and all other payroll records and information that the Trustees may require in connection with the administration of the Trust and for no other purpose. Each Employer shall also submit in writing to the Trustees at such regular periodic intervals and in such form as the Trustees may establish such of the above data and information as may be requested by the Trustees. The Trustees, or their authorized representatives, may examine and audit the pertinent payroll books and records of each Employer whenever such examination or audit is

deemed necessary or advisable by the Trustees in connection with the proper administration of the Trust." (Art. IX, §1 T.A.).

The Agreement also anticipates the disqualification of an Employee as defined in Article I and the cessation of benefits under the Pension Fund to the Employees, their wives and children (Art. VII, §§1 and 2).

Since 1959, a collective bargaining agreement typical of the collective bargaining agreements in effect between the Union and various employers has been printed together and physically attached to the front of the Trust Agreement. Section 12 of the Collective Bargaining Agreement in evidence (typical of the agreement in force when plaintiff applied for a pension) gives the detailed basis upon which the employers are required to contribute to the Fund—that is, the dollars and cents for each employee for each hour, the limit on the payments and the time when payments are due:

> "Section 12. The Employer shall contribute 17½¢ per hour (not to exceed $1.40 per day) (Effective January 1, 1964: 18½¢ per hour, not to exceed $1.48 per day) for each and every hour paid for, including regular work days, Saturdays, holidays and vacation days, to the Local 282 Welfare Trust Fund, and 33¢ per hour (not to exceed $2.64 per day) for each and every hour paid for, including regular work days, Saturdays, Sundays, holidays and vacation days, to the Local 282 Pension Trust Fund, the said contribution to be paid on or before the 10th day of each month covering all payroll periods ending during the preceding calendar month, or at such other intervals as may be required by the Trustees of said Funds. The Employers shall execute the Trust Agreement

governing the said Trust funds and shall comply with all requirements of the Trustees established pursuant to the Trust Agreement."

The Pension Plan itself, containing Rules and Regulations, is printed in a booklet which is mailed to each person on the mailing list kept by the Pension Fund Office. The mailing list, consisting of 7000 persons, contains the names of employees on behalf of whom payments have been made to the Fund. Plaintiff's husband's name was on this list and he apparently received one or more of these booklets.

While it is conceded by plaintiff that, to be an "employee" within the meaning of the Pension Plan, it is required that the employer be obligated by his agreement with Local 282 to contribute to the Fund, and that regulations established by the Plan and the Trustees will generally be upheld, she contends that they must be reasonable and fair and not in violation of either the letter or spirit of the Act.

This brings us to the statute and to the extent of the jurisdiction of this Court in the matter. We hold our jurisdiction to be limited to inquiry as to whether there has been a violation of the statute either in its letter or its spirit, and that there does not rest in the Court a general power to dictate, rephrase or interfere with the provisions of an agreement freely entered into between the Union and the Employers for the benefit of the employees, regulating coverage and eligibility, and imposing conditions on both. These are matters which the statute has entrusted to the Trustees (*Rittenberry* v. *Lewis*, 238 F. Supp. 506).

The statute mandates the very requirements for eligibility to participate in the Trust Pension Funds, which are set forth in the Trust Agreement Plan and in the Rules and Regulations of the Trustees. The provisions of the Plan and the Rules are in strict accordance with both the letter and spirit of the statute.

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Section 302(a) and (b). Title 29, U.S.C., provides:

> "(a) It shall be unlawful for any employer . . . to pay, lend, or deliver, or agree to pay, lend or deliver, any money or other thing of value—
>
> (1) to any representative of any of his employees who are employed in an industry affecting commerce; or
>
> (2) to any labor organization, or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce;
>
> • • •
>
> "(b) (1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a)."

Violations of Section 302 are misdemeanors punishable by a $10,000 fine, a year in prison, or both.

Section 302(c) carves out by subdivision (5) thereof very limited exceptions to this clear prohibition of money passing from management to labor, stating that the provisions of (a) and (b) shall not apply

> "(5) with respect to money or other thing of value paid . . . to a trust fund established by such representative, for the sole and exclusive benefit of the employees of such employer, and their families and dependents. . . . PROVIDED, That (A) such payments are held in trust for the purpose of paying . . . pensions on retirement or death of employees . . . (B) the detailed basis on which such payments are

> made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such funds . . . and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held herein cannot be used for any purpose other than paying such pensions or annuities; . . .".

Conformity with the statutory requirement that the funds be used exclusively for employees of such employers and that the payments to provide pensions or annuities be made into a separate fund from which no other benefits were to be paid, was assured by limiting benefits for which payments might be made from the fund to benefits under a pension plan for employees, defined as those covered by collective bargaining agreements between their employers and the Union. So also was conformity with the requirement that the detailed basis on which the employer payments were to be made be specified in a written agreement with the employer, assuring by defining employers' payments as payments from employers who are required to make such payments pursuant to executed written collective bargaining agreements with the Union.

While the statute does not specify that the written agreements be a collective bargaining agreement, it certainly encompasses such an agreement or even two related contracts such as the parties here had—one for the purpose of establishing the Fund and for imposing conditions for membership in the Fund, and the other for specifying the basis of the contributions. The reported cases filed under this statute disclose that the usual trust fund agreements bottomed on a collective bargaining agreement. It is difficult to imagine a situation where it would be otherwise.

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The conditions imposed on the parties to the Trust Agreement Plan and the Rules and Regulations to enforce these conditions, are reasonable and fair, and drafted to adhere strictly to the statutory requirements. The background of this law and the cases interpreting it, leave no doubt that, if there is one essential element without which these funds cannot lawfully exist, it is that there be a written agreement specifying the source and amounts of money to be paid into and to be disbursed from the Fund. It was the absence of just such a formal agreement identifying and allocating the moneys being collected from employers by Union representatives ostensibly for the employees' "Welfare Fund", which outlawed those payments. Congress recognized that the effect of such gifts, if not their purpose, was to destroy the impartiality of the representative of the employees, whose interests often conflicted with those of the employer. *United States* v. *Ryan*, 350 U.S. 399; *I.L.A.* v. *Seatrain Lines*, 326 F. 2nd 916 (C.A. 2, 1964).

This is not, as plaintiff would argue, a technical provision or regulation, but the sine qua non of the payments permitted to be made.

This was pointedly observed in the holding that, "unless the payment by the employer falls in all respects within the provisions of § 302(c), both as to the substantive purpose and the procedural administration and written formalization, it violates §302(a) and (b)." *Bey* v. *Muldoon, supra.*

The cases cited by both parties are in support. In *Dunbar* v. *Painters & Glaziers Dist.*, 129 F. Supp. 417, the Court would not permit the employers who had a collective bargaining agreement as well as a trust agreement to attempt to escape the provisions of the trust agreement requiring them to contribute. In *Rittenberry* v. *Lewis, supra,* it emphasized the requirement that for an employee to receive benefits he must be an employee of a "contributing employer" who has paid into the fund, i.e., like a party to

a group insurance plan. In *Blassie* v. *Kroger*, 345 F. 2nd 58, it expressly upheld the necessity under Section 302(c)(5)(B) of a written agreement for "employers subject to collective bargaining procedure with the union," as distinguished from the Fund's employees whose employer was obviously not so subject. And *United States* v. *Ryan, supra,* brushed away all narrow notions of the meaning of the term "representative of employees" as used in the statute, to include Union Trustees. *Shapiro* v. *Rosenbaum,* 171 F. Supp. 875, illustrated this by permitting payments to trustees of a trust, who were totally disassociated in any capacity with any labor union or group of employees, in the absence of the written agreement required by the statute.

Defendants' contentions that payments here sought are prohibited by the statute, are thus well supported. Of course, such argument acknowledges that in accepting the payments from "Elmhurst" for the past 13 years with knowledge, if not actual, certainly imputed, the Trustees were also engaged in violating the statute because acceptance of the moneys by the representative of the employees from the employer is what is literally prohibited by the statute, and by necessary and logical extension, the distribution of those moneys to the employees. If receipt is unlawful, paying out is equally unlawful. As defendants say: "Trustees who accept payments from employers must be certain that the requirements are fully satisfied. Laxity is not excused by good intentions."

Plaintiff argues that the purpose of the statute is to benefit the employee; that this was what "Elmhurst" was engaged in doing with the knowledge of the Trustees; that the payments were for the benefit of the employees and not adverse to their interests; that plaintiff and her husband knew this and, relying on these payments, looked to them for their future security; and that to deprive them of

the expected benefits through a technicality is what will work the injury. While such an argument is emotionally appealing, it is not relevant.

Assuming that plaintiff's husband, a union member of long standing, did not know that his employment was not covered by a collective bargaining agreement, but, because pension fund payments were being made, he assumed that he was, in fact, covered, we find that he knew of the requirement of a collective bargaining agreement. The motives and purposes of "Elmhurst" and of the Trustees are immaterial. The statute is not limited to conscious wrongdoing. It condemns, outside of the stated exceptions, any and all gifts, no matter how trifling and innocuous; no matter what their motive, and it might be one of pure friendship or generosity; and no matter the circumstances. *United States* v. *Ryan*, 232 F. 2nd 481 (CA 2, 1956); ILA. v. *Seatrain Lines, supra.* Had Congress wanted to except all payments, which were clearly for the benefit of the employees, it could have done so; it did not provide for such broad exceptions. If such a conclusion sounds heartless, it is well to note that, even in this seemingly innocent situation, there lurks a real evil—and it is that this was not an isolated instance for "Elmhurst" apparently attempted to make payments for other employees besides plaintiff's husband. Voluntary as these payments were, while these employees were in favor, the payments might continue; if the employees fell out of favor, the payments could be reduced or completely stopped, with no recourse on their part, placing them in the unenviable situation of being at their employer's mercy in this most important respect; not to mention, of course, the discriminatory treatment among them if only some and not all were attempted to be benefited. Making an exception of this case would frustrate the purpose of the statute, which is to benefit and promote the welfare of the employee. For, to pay out from a common

fund in which all employees have a common as well as a separable right to employees not covered by collective bargaining agreements equally with those so covered, would certainly undermine the strength of collective bargaining, with resultant prejudice to the employee. It would encourage employers not to enter into them, if they could procure for their employees, at will and whim, benefits similar to those so covered without obligating themselves to any of the other conditions. It also would prevent the setting up of Trust Funds on "a financially or actuarily sound basis." *Rittenberry* v. *Lewis, supra.* All of these are evils which the written collective bargaining agreement and the Trust Fund agreement would obviate. The deliberateness of "Elmhurst's" conduct in this respect and its indifference to plaintiff's situation, is evidenced from the fact that, although it could still legalize these payments and permit the pension benefits to be paid to plaintiff by entering into a collective bargaining agreement and a Trust Agreement now, it has refused to do so. *Bey* v. *Muldoon, supra*; see also Sec. I, Art. I, T.A.

It follows from this that plaintiff's theory of estoppel will not lie to compel the Trustees to continue violating the law, assuming that the other elements necessary to constitute an estoppel in law were present and which appear unlikely in view of the fact that, by receiving the booklets describing the Pension Fund and "eligible employees", plaintiff's husband was constantly put on notice that his employment had to be covered by a collective bargaining agreement before he could enjoy the benefits of the Fund.

Our conclusion is not to be interpreted as condoning the actions of the Trustees here, especially those of the Union Trustees; that, at best, they were grossly negligent is clear; how, in the face of the detailed reports required to be filed by a contributing employer specifying name, date, salary,

of the audits required of an employer's books and payroll records—which it appears here they did conduct on a spot check basis—they could go on for these many years not knowing that "Elmhurst" was not covered by a collective bargaining agreement, when all the time the Union was allegedly making unsuccessful attempts in this direction, is really beyond our understanding. But the fact that the situation is a suspicious and strange one is a still further reason for not permitting any further opportunity to evade the statutory requirements.

The motion of plaintiff for summary judgment is denied and that of defendants for summary judgment is granted; the complaint is dismissed with costs and the Clerk is directed to forthwith enter such judgment.

SYLVESTER J. RYAN
U.S.D.J.

Dated: April 27, 1967.

APPENDIX C

(Opinion of Court of Appeals)

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 482—September Term, 1967.

(Argued June 4, 1968 Decided November 6, 1968.)

Docket No. 31450

[SAME TITLE]

Before:

WATERMAN and FEINBERG, *Circuit Judges*,
ZAMPANO, *District Judge.**

Plaintiff-appellant, a widow, sought a declaratory judgment of entitlement to pension payments from a trust fund created from employer contributions that were presumably made within the exceptions permitted under Section 302(c)(5) of the Labor-Management Relations Act of 1947, 29 U. S. C. § 186(c)(5). The Trustees of the fund had refused payment on the ground that the employer of appellant's deceased husband had never entered into any written agreement required by Section 302 if the employer contributions were not to be proscribed under that section. The court below, United States District Court for the

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* Of the District of Connecticut, sitting by designation.

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Southern District of New York, Ryan, *J.*, dismissed the complaint. Affirmed.

HERMAN ENGLANDER, Englander & Englander, New York City, *for Plaintiff-Appellant.*

SAMUEL J. COHEN, Stanley M. Berman, Cohen and Weiss, New York City, *for Defendants-Appellees.*

WATERMAN, *Circuit Judge*:

This is an appeal from a judgment of the United States District Court for the Southern District of New York, dismissing plaintiff-appellant's complaint. Appellant sought a declaratory judgment pursuant to 28 U. S. C. §2201 and Rule 57, Fed. R. Civ. P., declaring her to be entitled to receive payments under the Pension Plan of Local 282-Pension Trust Fund of $200.00 per month for a period of thirty-six months commencing May 1, 1965; directing appellees, as trustees of said Fund, to make such payments; and awarding her any reasonable attorney's fees incurred by her in enforcing the trust. Jurisdiction in the district court was founded on the existence of a question arising under a statute of the United States regulating interstate commerce, the Labor-Management Relations Act of 1947, §302, 29 U. S. C. §186, making the action one of which the district court had original jurisdiction pursuant to 28 U. S. C. §1337. Appellees moved for summary judgment on the ground that appellant was not entitled to the relief she sought. Appellant also moved for summary judgment. Appellant's motion was denied and appellees' motion was granted. The learned district judge explained the result he reached in a reasoned opinion which contained the detailed facts involved. His opinion is reported at 267 F. Supp. 641 (1967). We affirm the result reached below.

Appendix C

Appellant is the widow of John J. Moglia (Moglia) who died on August 7, 1966. At all times relevant to this case Moglia had been a member in good standing of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Local 282 (Local 282), a labor organization representing employees of employers within the meaning of Section 302(a)(2), Labor-Management Relations Act of 1947; 29 U. S. C. § 186(a)(2).

Appellees are the Trustees (Trustees) of the Local 282-Pension Trust Fund (Fund) which was established in 1955 by Local 282 and various employers who had entered into collective bargaining agreements with the Local. The Fund was the successor of other trust funds in which the Local had theretofore participated and was created by execution of an agreement and declaration of trust (trust agreement).

The trust agreement authorized the Trustees to receive payments from employers who signed collective bargaining agreements with the Local requiring such payments. The trust agreement specified that the Fund be used to provide retirement benefits for employees of contributing employers pursuant to a Pension Plan to be formulated by the Trustees.

The Fund was supposed to be maintained in strict conformity with Section 302(a) and (b) and with Section 302(c)(5) of the Labor-Management Act of 1947. Section 302(a) and (b) provide as follows:

> (a) It shall be unlawful for any employer or association of employers or any person who acts as a labor relations expert, adviser, or consultant to an employer or who acts in the interest of an employer to pay, lend, or deliver, or agree to pay, lend, or deliver, any money or other thing of value—
>
> (1) to any representative of any of his employees who are employed in an industry affecting commerce; or

> (2) to any labor organization, or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce;
>
> • • •
>
> (b) (1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a) of this section.

Violations of Section 302 are punishable by criminal penalties. Section 302(d) provides:

> (d) Any person who willfully violates any of the provisions of this section shall, upon conviction thereof, be guilty of a misdemeanor and be subject to a fine of not more than $10,000 or to imprisonment for not more than one year, or both.

Section 302(c)(5) establishes *limited* exceptions to subsections (a) and (b) for payments to trust funds which meet *specified* requirements. The statutory requirements are that the employer's payments be made

> . . . to a trust fund established by such representative, for the sole and exclusive benefit of the employees of such employer, and their families and dependents (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents): *Provided*, that (A) such payments are held in trust for the purpose of paying, either from principal or income or both, for the benefit of employees, their families and dependents, for medical or hospital care,

pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) the detailed basis on which such payments are to be made is specified in a written agreement with the employer, and employees and employers are equally represented in the administration of such fund, together with such neutral persons as the representatives of the employers and the representatives of employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in event of their failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group, be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such other places as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pension or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; . . .

The trust agreement was written to conform with the statutory mandate and spelled out limitations upon pay-

ments into and out of the Fund. It is uncontroverted that the trust agreement at all times contained the limitations required by Section 302.

From July 1, 1953, through March 31, 1965, Moglia's employer for twenty-eight years, Elmhurst Contracting Co., Inc., or its successor (Elmhurst), made payments into the Fund on behalf of Moglia and other employees and such payments were received and accepted by the Fund. During this period, the books of Elmhurst were regularly audited by auditors for the Fund to assure that the payments being made were in the proper amounts.

On April 15, 1965, listing Elmhurst as his only employer, Moglia filed an application for a pension with the Fund. It is uncontroverted that Moglia's age, length of service, and other qualifications for benefits under the Pension Plan of the Fund at the time of the filing of his application for a pension, and up to the time of his death, were such that, if he were entitled to benefits under the Pension Plan, he would have been entitled to payments for life commencing May 1, 1965, at the rate of $200.00 per month. If Moglia was entitled to these payments and he did not receive them during his lifetime, appellant, as his widow, would be entitled, pursuant to the provisions of the Pension Plan, to receive them for a period of thirty-six months, commencing May 1, 1965.

For some reason, the Fund does not investigate pension eligibility until after an application for pension benefits has been filed, and, after Moglia applied, an investigation of Elmhurst's status with the Fund revealed that Elmhurst had never entered into a collective bargaining agreement or a pension trust agreement with the Local although the Local had often requested it to do so.

The facts surrounding Moglia's application were reported to the Trustees at a meeting on June 15, 1965, but action on the application was deferred until the Trustees

had an opportunity to consult with counsel. They were advised by counsel that payment to Moglia was prohibited by the Labor-Management Relations Act of 1947 and by the trust agreement, and that Moglia's application must be denied. They were also advised that the Labor-Management Relations Act of 1947 and the trust agreement prohibited them from accepting Elmhurst's payments. Accordingly, Moglia's application was rejected by the Trustees, and all the Elmhurst payments were refunded to Elmhurst. Elmhurst refused to accept the refund pending termination of the present litigation, and its payments are now being held apart from the rest of the Fund to be disposed of in accordance with the final determination of this action.

The question presented to us by appellant is whether she is entitled to receive pension benefit payments from the Local 282-Pension Trust Fund notwithstanding the fact that there never has been a written collective bargaining agreement or any other written agreement between Elmhurst and Local 282 detailing the basis upon which payments were to be made by Elmhurst, on behalf of its employees, into the Trust Fund. The answer to this question involves a construction of the relevant language of Section 302 of the Labor-Management Relations Act of 1947.

Appellant first contends that the written agreement requirement contained in subsection 302(c)(5)(B) applies only to payments made by employers into the Fund and not to payments made by the Trustees out of the Fund to employees, and, therefore, the Trustees would not be violating Section 302 by making payments to appellant.[1]

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[1] We are of the belief that the question of whether the written agreement requirement of Section 302 applies to payments out of the Fund would only arise if, though there were an employer-union written agreement specifying the basis of employer contributions into the Fund, there was no written agreement setting forth the basis upon which the Fund's monies were to be dispersed. In passing,

However, we hold that, inasmuch as both Elmhurst's payments into the Fund and the Trustees' receipt of said payments were prohibited by Section 302 in the absence of a written agreement as required by subsection 302(c)(5)(B), appellant was not a person who could, under Section 302, lawfully be paid pension benefit payments from the Trust Fund.[2]

Section 302 was originally passed as part of the Taft-Hartley Act of 1947. The Section's purpose was to curb the abuses, discovered by Congress after extensive investigation, which seemed to be inherent in funds created and maintained by contributions exacted from employers but which were administered by union officials without any obligation to account to the contributors or the union membership. See, e.g., 92 Cong. Rec., Part 4, 79th Cong., 2d Sess. 1946, p. 4893 (Senator Byrd), p. 4897 (Senator Knowland), p. 4894 (Senator Ball); S. Rep. No. 105, 80th Cong., 1st Sess., 52 (1947); 93 Cong. Rec., Part 4, 80th

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we note that it is unlikely that Congress, intending to insure that employer contributions to union funds were only for a proper purpose and specifying in detail the manner in which a union pension fund might be established through employer contributions, did not also intend that the manner in which payments were to be made out of the trust fund should be set forth in a written agreement. See *Lewis* v. *Seanor Coal Co.*, 382 F. 2d 437 (3 Cir. 1967), cert. denied, — U. S. —, 88 S. Ct. 1035 (1968).

[2] *Blassie* v. *Kroger Company*, 345 F. 2d 58 (8 Cir. 1965), cited by appellant, is not contrary to our holding. *Blassie* did not involve pension benefits to employees of employers contributing to a pension trust fund. It involved an entirely different and narrowly limited question, namely whether the trustees of a pension fund could legally pay pension benefits to the fund's own employees as part of their compensation. The court held that such payments were not prohibited by Section 302(a) and (b). The court stated that subsection 302(c)(5)(B)'s requirement of a written agreement applied only to employers subject to collective bargaining with the union and not to the fund vis-a-vis its own employees.

Cong., 1st Sess. 1947, p. 4678 (Senator Ball), p. 4678 (Senator Byrd), pp. 4746 and 4747 (Senator Taft). In 1959, Section 302 was amended to include within its ambit conduct which had been held to be outside Section 302 but conduct that Congress felt was of the type Section 302 was originally aimed at prohibiting. 1959 U. S. Code Cong. & Ad. News, 2326-30, 2360; 2469-70. A reading of the legislative history of Section 302 shows that Congress intended to prohibit the establishment of any union funds by means of employer payments unless the funds conformed in all respects with the specific dictates of Section 302(c). E.g., 92 Cong. Rec., Part 4, 79th Cong., 2d Sess. 1946, *supra;* 93 Cong. Rec., Part 4, 80th Cong., 1st Sess. 1947, *supra;* 1959 U. S. Code Cong. & Ad. News, *supra;* see *International Longshoremen's Ass'n* v. *Seatrain Lines, Inc.,* 326 F. 2d 916, 919-920 (2 Cir. 1964); *Bey* v. *Muldoon,* 217 F. Supp. 401 (E. D. Pa. 1962).

Under Section 302, *any* payment made by an employer to an employee representative, and this includes trustees administering a pension trust fund, see, e.g., *United States* v. *Ryan,* 350 U. S. 299 (1956); *Sheet Metal Contractors Ass'n* v. *Sheet Metal Workers International Ass'n,* 248 F. 2d 307 (9 Cir. 1957), *cert. denied,* 355 U. S. 925 (1958), *contra, United Marine Division, I. L. A., Local 333* v. *Essex Transportation Co.,* 216 F. 2d 410 (3 Cir. 1954), and the receipt of such payments by an employee representative are absolutely forbidden unless there is a written agreement between the employer and the union specifying the basis upon which the payments are made. Thus, in the case of a legally established union pension trust fund, the only employer contributions which may be accepted by the trustees administering the fund are those contributions from employers who have a written agreement with the union as required by subsection 302(c)(5)(B). Absent the

written agreement, there is no valid Section 302 trust as to those employer contributions; the parties making and accepting such contributions are violating Section 302, and the intended beneficiary of the illegal employer contributions has no legal right under Section 302 to the benefits normally derived from employer contributions to the trust fund. Only employees and former employees of employers who are lawfully contributing to a union pension trust fund may qualify as beneficiaries of a Section 302 trust. *Rittenberry* v. *Lewis*, 238 F. Supp. 506 (E. D. Tenn. 1925); *Bolgar* v. *Lewis*, 23 F. Supp. 595 (W. D. Pa. 1960).

Appellant makes an appealing argument that Congress intended to encourage and foster the creation and extension of union welfare funds and therefore that this court should not construe Section 302 so as to deny appellants the benefits of this welfare fund. As pointed out by the court below, acceptance of appellant's argument would not necessarily implement the congressional intention although it would provide benefits for the appellant. The reason for the rigid structure of Section 302 is to insure that employer contributions are only for a proper purpose and to insure that the benefits from the established fund reach only the proper parties. *Schwartz* v. *Associated Musicians of Greater N. Y., Local 802*, 340 F. 2d 228, 233-234 (2 Cir. 1964). Any erosion of the strict requirements of this section could provide an unintended loophole for the unscrupulous, and could result in a diversion of funds away from the proper parties as had occurred before Section 302 was enacted. See *Arroyo* v. *United States*, 359 U. S. 419, 423-427 (1959); cf. *International Longshoremen's Ass'n* v. *Seatrain Lines, Inc., supra* at 920.

Our construction of Section 302 may work a hardship in the instant case, especially as neither appellant nor her deceased husband appear to have engaged in any wrongful conduct; but we consider the construction of the statute

that we have adopted is the only acceptable one in light of the congressional history and intent. Of course this does not preclude appellant from pursuing any other remedies that may be available to her.[3]

Appellant also asks the court to invoke the theory of equitable estoppel as a basis for allowing pension benefits from the Trust Fund. Appellant argues that the Trustees, having accepted Elmhurst's contributions into the Fund for twelve years, and having regularly audited Elmhurst's books in order to assure that payments were being made in the proper amounts, are estopped from denying pension benefits to appellant on the ground that there was no written agreement between the Local and Elmhurst. Whatever merit this argument may have if directed to the appellee trustees' invocation of the terms of the trust agreement to deny appellant at this late date any pension benefits, a matter we need not decide, the equitable estoppel argument cannot supply the essential element of the written agreement Congress required by subsection 302(c)(5)(B).

The statutory requirement of a written agreement is not a minor technicality which may be dispensed with when, there being no written agreement, the acts of one party may be said to estop him from defending on that ground. A written agreement is necessary before payments may be made under the section. As compelling and as appealing as appellant's case is, the structure of the section and the

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[3] Our decision in this case does not preclude appellant from seeking further appropriate relief, such as turning over to her the payments already made on her husband's account by Elmhurst to the trustees. Possible grounds upon which recovery might be predicated such as, for instance, unjust enrichment or constructive trust, are still open to appellant inasmuch as it would appear that such causes of action are not yet time-barred by the applicable New York statute of limitations. See New York Civil Practice Law and Rules, McKinney's Consol. Laws, c. 7-B, Section 213 (1963). Nor do we preclude the trustees from taking affirmative action to have the sums which Elmhurst refused to take back paid over to appellant.

Congressional intent underlying the section preclude any judicial inroads into its rigid, specific requirements.[4]

Appellant conceded in the district court that at no time relevant to the cause of action asserted in her complaint there was a collective bargaining agreement or any other written agreement, as such, between Elmhurst and the Local.[5] Appellant, now, without intending to qualify her

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[4] In support of her estoppel argument appellant points to *William Dunbar Co.* v. *Painters & Glaziers District Council,* 129 F. Supp. 417 (D. D. C. 1955). There the plaintiffs were employers who sought to enjoin collection of their own payments by a trust fund on the ground that a written agreement had never been signed. The district court, sitting as trier of the facts, concluded:

> The Court does find, so far as the execution of this document is concerned, that it was signed in fact. Whether it is in the status of a lost, misplaced document, or not, there has been a sufficient showing, in the absence of the original, to convince this Court that this document was given life by formal signatures and did exist as a trust obligation. 129 F. Supp. at 422.

The court went on to state in dicta that the employers had been operating under the terms of the trust agreement for years, and hence were estopped from denying that the agreement was valid. This dicta upon which appellant relies is inapposite. It only dealt with the question of whether the employers who had caused a trust fund to make pension payments to their employees could at a later date deny that they had signed a written agreement under which they had been operating for years. In the present case all agree that Elmhurst never signed an agreement with the union.

[5] Plaintiff alleged in her complaint that there had been a collective bargaining agreement between Elmhurst and Local 282. This was controverted by the Trustees. Cross-motions for summary judgment followed and were denied. Subsequently plaintiff stipulated that:

> Notwithstanding the allegations contained in . . . [the] complaint . . . or reply, and notwithstanding any statement to the contrary contained in any of the papers submitted in support of plaintiff's motion for summary judgment . . . [the appellant] unconditionally admit[s] that at no time relevant to the cause of action asserted in the complaint was there a collective bargaining, or any other written agreement, between Local Union No. 82 [sic] and either Elmhurst or its successor, either requir-

concession, argues that the written agreement requirement of subsection 302(c)(5)(B) was, in fact, satisfied in the instant case. Appellant contends that subsection 302(c)(5)(B) only requires a written agreement and not a signed, written agreement, *William Dunbar Co.* v. *Painters & Glaziers District Council,* 129 F. Supp. 417 (D.D.C. 1955), and such an agreement in fact existed in the form of the unsigned collective bargaining agreement which was attached to the unsigned trust agreement governing the Fund. According to appellant, Elmhurst's conduct and action in observing the terms of the collective bargaining agreement attached to the trust agreement by paying uniform union scale wages and by making contributions to the trust fund were tantamount to ratification and adoption of a written agreement by Elmhurst even though it had not signed it. We do not agree with appellant's analysis.

In the first place, the *Dunbar* case involved a situation where employers were disputing their obligation to contribute to a union trust fund in the absence of a signed, written trust agreement. The district court in *Dunbar* found *as a fact* that, at one time previously, there had been in existence a valid, formal, written trust agreement, and that the original signed copy of this agreement had disappeared and only an unsigned copy remained. The question before the court in *Dunbar* was whether the employers could be compelled to contribute to the trust fund on the basis of the duplicate written agreement bearing no signatures. On these facts the district court held that sub-

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ing any payments by Elmhurst or its successor to Local 282-Pension Trust Fund or its predecessors, or specifying the detailed basis upon which such payments should be made.

Both appellant and appellees then again moved for summary judgment, and thereupon Judge Ryan denied appellant's motion and granted appellee's motion on the merits, accompanying his denial order with the exhaustive opinion reported at 267 F. Supp. 641 (1967).

section 302(c)(5)(B) only required a written and not a signed agreement. *Dunbar* is clearly factually distinguishable from the instant case.

In the second place, ratification and adoption are only forms of acceptance of a contract and must conform to the general principles governing the formation of contracts. Two essential elements of a contract formation are mutuality of agreement and mutuality of obligation. See, generally, 17 C. J. S. Contracts, § 1(1) (1962). Both of these elements are missing in this case. The union demanded the acceptance of a complete collective bargaining agreement along with the trust agreement.[6] Elmhurst did not appear to be willing to accept these terms at any time. In such a situation it would be ridiculous to assert that there was agreement between the parties and a mutuality of obligation. Therefore, on the record as made, we hold that there was no ratification, or any adoption of, the collective bargaining agreement by Elmhurst.

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[6] It is true that the Local would allow employers to participate in the Fund *before* a collective bargaining agreement had been executed between the Local and the employer if the employer would agree to adhere to the terms of the trust agreement. Article I, § 1, of the trust agreement defined an employer who may contribute to the fund as an

> . . . employer who has duly executed a collective bargaining agreement with the Union and who is a signatory to this agreement, and also any employer not presently a party to such collective bargaining agreement who hereafter executes such agreement provided that such employer satisfies the requirements for participation as established by the Trustees and agrees to be bound by the terms and provisions of this Agreement and Declaration of Trust, and becomes a party hereto.

But it is clear that this exception was not intended to be a permanent exception. As we read the trust provision, the Local is only willing to allow employers who agree to the trust and are in the process of negotiating or executing a complete collective bargaining agreement with the Local to participate in the Fund during the interval before the collective bargaining agreement is formally signed. It does not permit an employer to participate without ever signing an agreement.

Appendix C

Appellant has raised a number of questions relating to the possible abuse of discretion on the part of the trustees in so construing the trust agreement as to prevent them from paying benefits to the appellant. As we are holding that it would be illegal for the trustees to retain the contributions of Elmhurst or to pay benefits to appellant, it is not necessary to discuss these contentions for they relate only to the proper interpretation of the trust agreement or to the power of the Trustees under the agreement to deny pension benefits to the appellant.

We realize that other claimants to union welfare funds and perhaps even other claimants to this very pension trust may find themselves in the position of appellant.[7] Nevertheless, the proper remedy for such a regrettable situation is not the enforcement of a claimant's rights under the trust because that would allow evasion of a carefully drafted

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[7] In their Answer to appellant's complaint, the Trustees stated that:

> The issues raised in this action may be expected to arise in future situations involving applications for benefits under the Pension Plan of Local 282-Pension Trust Fund . . .

The Trustees of this Trust Fund have made a practice of accepting employer contributions without checking the Local records to ascertain whether or not the contributing employer has a written agreement with the Local detailing the basis upon which employer payments are to be made into the Fund. Instead of checking records when the contributions are received, as Section 302 requires, the Trustees have waited until an application for a pension is made by an employee of a contributing employer and then have checked to see if the employer's contributions and the Trustees' acceptance of the contributions conformed with both the Section 302 requirements and the provisions of the trust agreement. If the contributions and acceptance of the contributions were in violation of Section 302 or the trust agreement or both, then the innocent employee's pension request is denied. This practice has caused needless hardship in this case and could cause hardship in other cases involving innocent employees. Those engaged in the future in such lackadaisical adherence to the mandates of Section 302 should bear in mind that Congress has provided appropriate penalties for those who take too lightly the requirements of that section.

statute. The congressional scheme, if properly enforced by government attorneys, is designed to prevent this unfortunate situation from ever arising. *Employing Plasterers' Association of Chicago* v. *Journeymen Plasterers' Protective and Benevolent Society of Chicago, Local No. 5*, 279 F. 2d 92, 97-98 (7 Cir. 1960). If the sanctions provided by Section 302(d) had ever been invoked here, neither the Trustees of this particular fund nor the trustees of any other similarly situated fund would ever permit the state of affairs to reach this deplorable condition.[8]

Affirmed.

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[8] At 267 F. Supp. 641, 643, 648, the district judge appears to indicate by dicta that a present execution by the employer of the collective bargaining and trust agreements could validate the 36 months of pension payments appellant claims were payable to her month by month from May 1, 1965 to April 1, 1968, and could legalize the abortive payments by Elmhurst to the Fund. Though we approach the resolution of the dispute between the parties by the same route taken by the district judge we point out that we are not adopting this dicta.

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IN THE

Supreme Court of the United States

October Term, 1968

No. 1007

KATHLEEN MOGLIA,

Petitioner,

v.

JAMES GEOGHEGAN, PHILIP STACK, BENEDICT CIAVOLELLA, JOHN CODY, FRANK M. CAMPBELL, CHARLES J. MURPHY, FRANK L. KELLY, EDWIN E. REGNELL, JR., DUDLEY A. SAUNDERS, JOSEPH J. RYAN, WALTER SCHOFFMAN, ABRAHAM SCHWEBEL, CHARLES R. HERSEY and A. LAWRENCE GEROSA, as Trustees of Local 282—PENSION TRUST FUND,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR RESPONDENTS IN OPPOSITION

SAMUEL J. COHEN
Attorney for Respondents
605 Third Avenue
New York, New York 10017

Of Counsel:
COHEN AND WEISS
SAMUEL J. COHEN
STANLEY M. BERMAN

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Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR RESPONDENTS IN OPPOSITION

Opinions Below

The opinion of the United States Court of Appeals for the Second Circuit, dated November 6, 1968, is reported at 403 F. 2d 110 and at 69 LRRM 2640 and 58 CCH Lab. Cas. p. 22,771. It is reproduced in full at pages 19a-34a of the appendix annexed to the instant petition. The opinion of the United States District Court for the Southern District of New York, dated April 27, 1967, is reported at 267 F. Supp. 641 and at 65 LRRM 2402 and 55 CCH Lab. Cas.

p. 18,848. It is reproduced in full at pages 3a-18a of the appendix annexed to the instant petition and at pages 61a-81a of the appellant's appendix before the Court of Appeals. The opinion of the United States District Court for the Southern District of New York, dated March 9, 1967, is unreported. It is reproduced in full at pages 49a-50a of the appellant's appendix before the Court of Appeals.

Statute Involved

The statute involved is Section 302 of the Labor-Management Relations Act of 1947, as amended, 61 Stat. 136, 29 U.S.C. Section 186 (hereinafter the "LMRA"). Relevant portions thereof are set out verbatim at pages 3-5 of the instant petition and at pages 3-5, *infra.*

Question Presented

Does Section 302(c)(5) of the Labor-Management Relations Act of 1947 permit a jointly administered labor-management pension fund to receive payments from employers in the absence of a written agreement, in disregard of the provisions of the Act which state that "the detailed basis on which such payments are to be made" shall be "specified in a written agreement with the employer," and on the basis of such employer payments to pay pension benefits to that employer's employees?

Statement of the Case

The complaint, filed by petitioner, sought a declaration that as the widow of John J. Moglia she is entitled to receive benefits from the Local 282 Pension Trust Fund and additional relief incidental thereto. Respondents denied benefits as being prohibited by the LMRA and the applicable trust agreement.

The Local 282 Pension Trust Fund

Respondents are the trustees (hereinafter referred to as the "Trustees") of the Local 282 Pension Trust Fund (hereinafter referred to as the "Fund") (61a-62a).* The Fund was created in 1955 by Local Union No. 282, affiliated with the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America (hereinafter referred to as the "Union"), and various employers who had entered into collective bargaining agreements with the Union (66a). The Fund was created by execution of an agreement and declaration of trust (hereinafter referred to as the "Trust Agreement") as the successor to other trust funds in which the Union had theretofore participated (67a).

The Trust Agreement authorized the Trustees to receive payments from employers who signed written collective bargaining agreements with the Union requiring such payments (29a, 67a-68a). The Trust Agreement specified that the Fund be used to provide retirement benefits for employees of contributing employers pursuant to a pension plan to be formulated by the Trustees (67a-69a). The Pension Fund is supported solely by employer contributions. Employees do not make any payments. (Art III, § 1 of the Trust Agreement annexed as Ex. "B" to the affidavit of George J. Redstone.)

Participation by the Union in the Fund required that it be maintained in strict conformity to Section 302(a) and (b) and to Section 302(c)(5) of the LMRA. Section 302(a) and (b) provide as follows:

> "(a) It shall be unlawful for any employer or association of employers or any person who acts as a labor relations expert, adviser, or consultant to

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* Numerical citations followed by the letter "a" are to pages of appellant's appendix before the Court of Appeals unless otherwise noted.

any employer or who acts in the interest of an employer to pay, lend, or deliver, or agree to pay, lend, or deliver, any money or other thing of value—

(1) to any representative of any of his employees who are employed in an industry affecting commerce; or

(2) to any labor organization or any officer or employee thereof, which represents, seeks to represent, or would admit to membership, any of the employees of such employer who are employed in an industry affecting commerce;

(b)(1) It shall be unlawful for any person to request, demand, receive, or accept, or agree to receive or accept, any payment, loan, or delivery of any money or other thing of value prohibited by subsection (a)."

Violations of Section 302 are punishable by criminal penalties. Section 302(d) provides:

"Any person who willfully violates any of the provisions of this section shall, upon conviction thereof, be guilty of a misdemeanor and be subject to a fine of not more than $10,000 or to imprisonment for not more than one year, or both."

Section 302(c)(5) establishes limited exceptions to subsections (a) and (b) for payments to trust funds which meet specified mandatory requirements. The statutory requirements are that employers' payments be made

"... to a trust fund established by such representative, for the *sole and exclusive benefit of the employees of such employer,* and their families and dependents (or of such employees, families, and dependents jointly with the employees of other employers making similar payments, and their families and dependents); PROVIDED, That (A) such payments are held in trust for the purpose of paying, either from principal or income or both, for the benefit of employees, their families and dependents, for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or

illness resulting from occupational activity or insurance to provide any of the foregoing, or unemployment benefits or life insurance, disability and sickness insurance, or accident insurance; (B) *the detailed basis on which such payments are to be made is specified in a written agreement with the employer,* and employees and employers are equally represented in the administration of such funds, together with such neutral persons as the representatives of the employers and the representatives of employees may agree upon and in the event the employer and employee groups deadlock on the administration of such fund and there are no neutral persons empowered to break such deadlock, such agreement provides that the two groups shall agree on an impartial umpire to decide such dispute, or in event of their failure to agree within a reasonable length of time, an impartial umpire to decide such dispute shall, on petition of either group, be appointed by the district court of the United States for the district where the trust fund has its principal office, and shall also contain provisions for an annual audit of the trust fund, a statement of the results of which shall be available for inspection by interested persons at the principal office of the trust fund and at such other places as may be designated in such written agreement; and (C) such payments as are intended to be used for the purpose of providing pensions or annuities for employees are made to a separate trust which provides that the funds held therein cannot be used for any purpose other than paying such pensions or annuities; . . ." (Emphasis added).

Pursuant to the statutory mandate, the Trust Agreement spelled out limitations upon payments into and out of the Fund. It is uncontroverted that the Trust Agreement at all times contained the limitations hereafter referred to.

Conformity with Section 302(c)(5)(B)'s requirement that "the detailed basis on which such [employer's] payments are to be made is specified in a written agreement

with the employer. . . ." was assured in the Trust Agreement by defining employers' payments as payments from employers who are required to make such payments pursuant to duly executed written collective bargaining agreements with the Union. "Employer Contributions" are defined as:

> "Payments by Employers to either of the Trust Funds created in accordance with the collective bargaining agreement." (68a)

"Employers" are defined as:

> "*Each employer who has duly executed a collective bargaining agreement with the Union and who is a signatory to this agreement,* and also any employer not presently a party to such collective bargaining agreement who hereafter executes such agreement provided that such employer satisfies the requirements for participation as established by the Trustees and agrees to be bound by the terms and provisions of this Agreement and Declaration of Trust, and becomes a party hereto." (67a) (Emphasis added.)

"Collective Bargaining Agreement" is defined as:

> "Any *written collective bargaining agreement entered into between an Employer and the Union.*" (68a) (Emphasis added.)

Section 302(c)(5)(C) requires that employers' payments made to provide pensions or annuities for *employees of such employers* be made into a separate fund from which no other benefits may be paid. Conformity to these requirements was assured by limiting benefits for which payments may be made from the Fund to benefits under a pension plan for employees covered by the necessary collective bargaining agreements between their employers and the Union.

The relevant provision of the Trust Agreement is Article V, Section 4. Section 4(a) permits the Trustees to pay

necessary expenses. Section 4(b) states the only purpose for which the Fund may be used or applied as follows:

> "(b) To pay or provide for the payment of retirement or other benefits *to eligible Employees* in accordance with the terms, provisions and conditions of the pension plan to be formulated and agreed upon hereunder." (69a) (Emphasis added.)

The term "Employees" at all times has meant only employees covered by collective bargaining agreements as defined in the Trust Agreement. The Trust Agreement defines "Employees" as:

> "All Employees covered by and who fulfill the conditions of the collective bargaining agreements in effect between the Employers and the Union." (68a)

The original Pension Plan adopted by the Trustees was carried over from the plans for the Fund's predecessor trust funds (35a-37a). It has been duly amended by the Trustees from time to time and has been distributed in the form of a printed booklet. Distribution of the booklet is made freely to eligible employees as well as to other persons who are not eligible for pensions (35a-37a, 71a). There is not and could not be any implication that the recipient of a booklet is *ipso facto* an eligible employee.

Booklets printed for distribution in 1964 and 1960 were submitted to the courts below. These booklets advised prospective retirees that eligibility for benefits depended upon the execution of written collective bargaining agreements by their employers and the Union (36a-38a). The District Court found that petitioner's husband received such booklets and was "constantly put on notice" of the requirement that he must be covered by a written collective bargaining agreement in order to receive benefits from the Fund (80a). These booklets contain the following definitions:

Employee:

> "Any person who is employed by an Employer in an employment for which the Employer is obligated by his agreement with the Union to contribute to the Pension Fund." (68a)

Employer:

> "Any employer who is obligated by his collective bargaining agreement with the Union to contribute to the Pension Trust Fund." (67a)

Collective Bargaining Agreement:

> "Any written collective bargaining agreement executed by an Employer and the Union requiring contributions to the Pension Fund." (68a)

The Trust Agreement gives the Trustees broad power to construe its provisions, and constructions made in good faith are binding on the Union and on all employers and employees. The relevant provision is Section 3 of Article V which states:

> "The Trustees shall have power to construe the provisions of this Agreement and Declaration of Trust and the terms used herein and any construction adopted by the Trustees in good faith shall be binding upon the Union, the Employees and the Employers." (68a-69a)

The District Court made detailed findings regarding the limitations of the Trust Agreement and the Pension Plan (sometimes referred to as the "Rules and Regulations") upon payments into and out of the Fund and concluded as follows:

> "The conditions imposed on the parties to the Trust Agreement Plan and the Rules and Regulations to enforce these conditions, are reasonable and fair, and drafted to adhere strictly to the statutory requirements. The background of this law and the cases interpreting it, leave no doubt that, if there is one essential element without which these funds cannot lawfully exist, it is that there be a written agreement specifying the source and amounts of money to be paid into and to be disbursed from the

> Fund. It was the absence of just such a formal agreement identifying and allocating the moneys being collected from employers by union representatives ostensibly for the employees 'Welfare Fund', which outlawed those payments. Congress recognized that the effect of such gifts, if not their very purpose, was to destroy the impartiality of the representative of the employees, whose interests often conflicted with those of the employer. *United States* v. *Ryan*, 350 U.S. 399; *I.L.A.* v. *Seatrain Lines*, 326 F.2d 916 (C.A. 2, 1964).
>
> "This is not, as plaintiff would argue, a technical provision or regulation, but the sine qua non of the payments permitted to be made." (74a-75a)

Similarly, the Court of Appeals found that "The trust agreement was written to conform with the statutory mandate . . ." (p. 23a of the appendix annexed to the instant petition) and concluded as follows:

> "The statutory requirement of a written agreement is not a minor technicality which may be dispensed with when, there being no written agreement, the acts of one party may be said to estop him from defending on that ground. A written agreement is necessary before payments may be made under the section. As compelling and as appealing as appellant's case is, the structure of the section and the Congressional intent underlying the section preclude any judicial inroads into its rigid, specific requirements." (*Id.* at pp. 29a-30a.)

John J. Moglia's Pension Application

In April, 1965, a pension application for John J. Moglia was received in the Fund office (63a-64a). Moglia listed only one employer in his application, Elmhurst Contracting Company, Inc. (hereinafter referred to as "Elmhurst") (31a, 65a).

What started as a routine processing of the application by the Fund's Administrator became an exhaustive inves-

tigation into Elmhurst's status with the Fund. This came about because the Administrator, when checking Moglia's eligibility for benefits, found no trust agreement or collective bargaining agreement executed by Elmhurst (31a, 65a).

The investigation, which included a personal appearance by Moglia and his attorney at a Trustees' meeting in October, 1965, disclosed that Elmhurst had never entered into an agreement with the Union although it had often been requested to do so by the Union (31a-33a, 65a).

The Fund Office does not investigate eligibility until an application for pension benefits is filed (39a).* Elmhurst, for reasons undisclosed, made contributions to the Fund in the absence of a collective bargaining agreement, presumably for the purpose of getting a pension for Moglia.

As soon as these facts were brought to the attention of the Trustees, they reviewed them with their legal counsel. They were advised by counsel that payment to Moglia was prohibited by the LMRA and the Trust Agreement, and that Moglia's application must be denied. They were also advised that the LMRA and the Trust Agreement prohibited them from accepting Elmhurst's payments. Accordingly the Elmhurst payments were refunded to Elmhurst. Elmhurst refused to accept the refund pending termination of the present litigation, and its payments are now being held apart from the rest of the Fund (33a-34a).**

---

* The Fund Office did not make advance determinations of eligibility, considering that to be impractical because contributions were received pursuant to collective bargaining agreements covering some 7,000 employees (36a).

** On December 16, 1968, the Trustees commenced an interpleader action in the United States District Court for the Southern District of New York (Docket No. 68 Civ. 4996) against Petitioner and Elmhurst seeking judicial determination as to the proper disposition of payments made on Moglia's behalf.

It is uncontroverted that the Trustees acted in good faith with respect to Mr. Moglia's application (47a). The District Court so found (65a). The pension payments claimed by Petitioner consist of 36 installments in the amount of $200 each making a total of $7,200 (61a-62a). The payments which Elmhurst made with respect to Moglia were approximately $3,500 (33a-34a, 66a).

Petitioner's Misstatements of Fact

Petitioner in its "Statement of the Case" asserts that the Court of Appeals

> ". . . ruled that the employer's conduct and action in observing the terms of the collective bargaining agreement attached to the trust agreement by paying uniform union scale wages . . . did not constitute ratification, or any adoption, of the collective bargaining agreement by the employer." (Petition. p. 6)

There is no support in the record for the assertion that Moglia's employer paid its employees union scale wages, and the courts below made no findings to such effect. Petitioner cites pages 30a-32a of the appendix annexed to its petition in support of this assertion. At page 31a the Court of Appeals noted petitioner's contention that Elmhurst paid union scale wages and concluded that:

> "We do not agree with appellant's [petitioner's] analysis."

The Court did find that:

> "The union demanded the acceptance of a complete collective bargaining agreement along with the trust agreement. Elmhurst did not appear to be willing to accept these terms at any time." (Petition, p. 32a)

Petitioner, in argument at page 17 of its petition, expands upon the above-quoted assertion as follows:

> "It is not subject to dispute that Elmhurst, while it did not formally affix its signature to the printed form of the collective bargaining agreement promulgated by Local 282, indicated its knowledge of, and acquiescence in, the terms thereof, both by its employment of teamsters who were members of Local 282 and by its contributions to the Fund. Since Elmhurst would not have been entitled to the services of members of Local 282 unless it agreed to such terms, there is valid legal consideration for the implicit agreement between Elmhurst and Local 282 to make payments to the jointly administered Fund.
>
> This implicit agreement is fortified by a long and continued course of conduct on Elmhurst's part. From at least 1937 to April, 1965, Elmhurst employed members of Local 282 and paid them uniform union scale wages."

There is no evidence which could support any of the above-quoted statements. The undisputed allegations that Elmhurst employed Mr. Moglia, who was a member of Local 282 (5a-6a, 9a, 63a) and made payments to the Fund in the sum of approximately $3,500 on his behalf, do not show payment of the Union scale or adherence to the Union contract, which was specifically declined.

Petitioner in its "Statement of the Case" asserts that Mr. Moglia " . . . regularly received booklets, literature and *correspondence* from the Fund" (Petition, p. 7, emphasis added). The Fund office did not correspond with Mr. Moglia prior to receipt of his application (35a). The only "literature" sent him by the Fund office consisted of copies of booklets containing the pension plan (35a, 71a) which, as the District Court found, put him " . . . on notice that his employment had to be covered by a collective bargaining agreement before he could enjoy the benefits of the Fund" (80a).

Decisions Below

Upon petitioner's motion for summary judgment and respondents' cross-motion for summary judgment, the District Court denied petitioner's motion, granted respondents' cross-motion and entered judgment dismissing the complaint. The Court of Appeals affirmed.

ARGUMENT

POINT I

The decision below is in conformity to the statute and applicable decisions of other courts and does not present issues which require review by this Court.

The Court of Appeals held that petitioner is not entitled to benefits from the Fund inasmuch as her husband's employer had never entered into a written agreement specifying the detailed basis on which payments were to be made into the Fund. The Court stated:

> "Under Section 302, *any* payment made by an employer to an employee representative, and this includes trustees administering a pension trust fund, see, e.g., *United States* v. *Ryan*, 350 U.S. 299 (1956); *Sheet Metal Contractors Ass'n* v. *Sheet Metal Workers International Ass'n*, 248 F.2d 307 (9 Cir. 1957), *cert. denied*, 355 U.S. 925 (1958), *contra*, *United Marine Division, I.L.A., Local 333* v. *Essex Transportation Co.*, 216 F.2d 410 (3 Cir. 1954), and the receipt of such payments by an employee representative are absolutely forbidden unless there is a written agreement between the employer and the union specifying the basis upon which the payments are made. Thus, in the case of a legally established union pension trust fund, the only employer contributions which may be accepted by the trustees administering the fund are those contributions from employers who have a written agreement with the union as required by subsection 302 (c)(5)(B).

> Absent the written agreement, there is no valid Section 302 trust as to those employer contributions; the parties making and accepting such contributions are violating Section 302, and the intended beneficiary of the illegal employer contributions has no legal right under Section 302 to the benefits normally derived from employer contributions to the trust fund." (Petition, pp. 27a-28a.)

This holding is required by the language of the statute. Section 302(c)(5)(B) permits an employer's payments to a union trust fund only " . . . if the detailed basis on which such payments are to be made is specified in a written agreement with the employer." Section 302(c)(5) requires that a trust fund receiving such employer's payments be " . . . for the sole and exclusive benefit of the employees of such employer, and their families and dependents (or of such employees, families and dependents jointly with the employees of other employers making similar payments, and their families and dependents)." Accordingly, no benefits may be paid from a Section 302(c)(5) trust fund except to or with respect to employees of employers who are parties to the mandatory written agreement.

Every court which has considered the question raised in this case has agreed with the decision of the Court of Appeals herein.

In *Rittenberry* v. *Lewis,* 238 F. Supp. 506 (E.D. Tenn. 1965) the court dismissed an action for a pension from a Section 302 (c)(5) pension fund, referred to in the opinion as a "welfare fund." The court stated:

> "In view of the fact that it is undisputed that the plaintiff was never employed by an employer who was a *signatory* to the . . . [collective bargaining] Agreement, it is the opinion of the Court that he could not, as a matter of law, qualify as a beneficiary under the trust. This conclusion is reached upon the basis of the language contained in Section 302 of the Labor Management Relations Act, 1947, 29 U.S.C. § 186." (238 F.Supp. at p. 508.) (Emphasis added.)

In *Bolgar* v. *Lewis*, 238 F.Supp. 595 (W.D. Pa. 1960) the court dismissed an action for a pension and stated:

> "The plaintiff was not an employee at the New Century Coal Company within the term 'employee' as set forth in the Labor-Management Relations Act, 1947, Title 29 U.S.C. § 186(c)(5), *inasmuch as his employer was not a signatory* operator to the . . . [collective bargaining] Agreement and was not a contributing employer." (238 F.Supp at p. 597) (Emphasis added.)

In *Bey* v. *Muldoon*, 217 F.Supp. 401, 403 (E.D. Pa. 1962) the court stated:

> "Unless the payment by the employer falls in all respects within the provisions of § 302(c), both as to the substantive purpose and the procedural administration *and written formalization*, it violates § 302(a) and (b)." (Emphasis added.)

A similar problem was before the Third Circuit in *Lewis* v. *Seanor Coal Co.*, 382 F.2d 437 (3rd Cir. 1967) in which an employer argued that oral modification of a written agreement's provisions relating to trust fund payments was valid. The court rejected this contention and stated:

> ". . . the policy of § 302(c)(5) requires that any modification of the basis of both the payments into the fund and out of the fund be made in writing." (382 F.2d at p. 443)

In view of the clear language of the statute and the unanimity of the courts in interpreting its requirements, the instant case presents no issue which should be reviewed by this Court. There being no conflict among the Circuit Courts and no manifest miscarriage of justice of national importance, it does not appear that there is any ground for granting a writ of certiorari herein.

POINT II

The arguments asserted in support of the instant petition are without merit.

It has been shown that the statute and applicable precedents fully support the decision of the Court of Appeals herein. Petitioner recognizes the overwhelming weight of authority in support of the decision below and admits that the requirement of a written agreement is mandatory.

> "Admittedly, in the absence of any agreement specifying the detailed basis on which payments are to be made into the Fund, there is no valid Section 302 trust." (Petition, p. 10)

Petitioner nevertheless attempts to explain away the statutory requirement and applicable precedent by contending that if there is a written agreement in effect between a union and some employers, payments to a union pension fund may validly be made by a non-signatory employer (Petition, p. 10). As the cases cited in Point I, *supra,* show, however, the courts have consistently held that only employers *signatory* to a written agreement may validly make payments to such a fund and only employees of such *signatory* employers may receive benefits from the fund.* This conclusion is required by Section 302.

Section 302(c)(5)(B) requires that the detailed basis on which an employer's payments to a union pension fund are to be made must be ". . . specified in a written agreement with *the employer*. . . .," and such payments must

---

* Petitioner argues that her contention is supported by *Dunbar* v. *Painters & Glaziers District Council,* 129 F.Supp. 417, 423 (D.C.D.C. 1955) (Petition, p. 14). In *Dunbar* the employer was a signatory to both the applicable trust agreement and collective bargaining agreement (129 F.Supp at pp. 422-423). As the Court of Appeals found, petitioner's reliance on *Dunbar* is based on inapposite dicta (Petition, p. 30a n. 4).

be held in trust ". . . for the sole and exclusive benefit of the employees of *such employer*. . . ." (emphasis added). Petitioner would have the above italicized words read "other employers" or "any employers." The statute is not so worded.

The statutory requirement is not fulfilled with respect to one employer by reason of other employers having entered into a written agreement. The employer who is not party to the agreement is not bound by its terms and may start and stop its payments at will. No actuary could prescribe the terms under which such a pension fund could operate with such laissez-faire arrangements (79a; see, *Rittenberry* v. *Lewis, supra* at 238 F.Supp. 509). To permit such an employer to participate in a statutory pension trust fund would perpetuate the very evil which the statute was designed to prevent because there would be no detailed basis on which the employer's payments were to be made.

Petitioner contends, however, that the statute requires a written agreement only with respect to payments into the Fund and not with respect to benefits to be paid out of the Fund (Petition, p. 11).

As has been shown (see p. 14, *supra*), the statute limits payments out of the Fund to employees of employers lawfully making payments into the Fund pursuant to a written agreement. To say, as petitioner does, that the Trustees may not accept payments from an employer who is not party to a written agreement but that they must nevertheless pay benefits to such employer's employees is nonsensical. Under such an Alice-in-Wonderland interpretation of the statute the Trustees would be obliged to decline contributions while granting pensions. Payments lawfully made for the benefit of one employer's employees would be used for the benefit of employees of other employers who could not lawfully make payments to the Fund. Such use of payments is prohibited by the statutory re-

quirement that payments be held in trust for the sole and exclusive benefit of employees of contributing employers. *Cf. Lewis* v. *Benedict Coal Corporation,* 361 U.S. 459, 465 (1960) in which this Court stated:

> "Another provision [of the collective bargaining agreement] specifies that the purposes of the fund shall be all purposes 'provided for or permitted in Section 302(c).' In this way the agreement plainly declares what the statute requires, namely, that the fund shall be used 'for the sole and exclusive benefit' of the employees, their families and dependents."

Inadvertent acceptance by the Trustees of Elmhurst's contributions could not legalize such payments and could not justify retention of such payments or payment of benefits to Elmhurst's employees.

Petitioner also contends that she is entitled to pension benefits under "the principle of equitable estoppel" (Petition, pp. 15-16). The Court of Appeals held that:

> ". . . the equitable estoppel argument cannot supply the essential element of the written agreement Congress required by subsection 302(c)(5)(B)." (Petition, p. 29a)

This holding is supported by the decision of the Third Circuit in *Lewis* v. *Seanor Coal Co., supra,* in which the Court stated that ". . . there can be no estoppel against the assertion of the public policy which condemns it" (382 F.2d at p. 444).

In any event the estoppel argument is misplaced in that (1) the Fund accepted no payments from petitioner or her husband, and (2) petitioner's husband ". . . was constantly put on notice that his employment had to be covered by a collective bargaining agreement before he could enjoy the benefits of the Fund" (80a).

Petitioner contends finally that inasmuch as Elmhurst "adopted" and "ratified" the Union's collective bargain-

ing agreement, the statutory requirement of a written agreement is not applicable (Petition, pp. 16-17).

As has been shown (pp. 11-12, *supra*), petitioner's assertions that Elmhurst complied with the Union's agreement are based on misstatements of fact which are without support in the record and which are in direct conflict with the fact, as found by the Court below, that Elmhurst at all times refused to execute a Union agreement. It is well established that an employer does not become bound to a collective bargaining agreement unless he expressly agrees to do so. *Wagor* v. *Kovens Construction Corp.*, 382 F.2d 813 (5th Cir. 1967) *cert. den.* 390 U.S. 952 (1968); *Lewis* v. *Mears*, 297 F.2d 101 (3d Cir. 1961) *cert. den.* 369 U.S. 873 (1962).

POINT III

In any event, the denial of benefits to petitioner was required by the Trust Agreement and by the Rules and Regulations of the Pension Plan, and the Trustees' decision, based on the Trust Agreement and the Pension Plan, is binding on petitioner.

As has been shown (pp. 3, 8, *supra*), the Trust Agreement which the Union and various employers executed empowered the Trustees to formulate a pension plan and declared that their good faith construction of the terms and provisions of the Trust Agreement was binding on the Union, the employers and the employees. The Trust Agreement and Pension Plan at all times conditioned eligibility for benefits of a prospective retiree upon the execution of a written collective bargaining agreement between his employer and the Union (pp. 5-8, *supra*).

The courts below found these conditions to be "reasonable and fair" (74a) and "written to conform with the statutory mandate" (Petition, p. 23a). The Court of Appeals found that Moglia's pension application was rejected

on advice of counsel because of Elmhurst's admitted failure to execute the agreement required by the Trust Agreement and because of the restrictions of the LMRA (Petition, p. 25a). The Trustees alleged that their denial of Moglia's application was based *inter alia* on their good faith interpretation of the Trust Agreement and the advice of legal counsel (12a). Petitioner does not dispute these allegations (47a).

Trustees of pension funds may, within the limitations of the applicable trust agreement, establish requirements for entitlement to pensions, and their decisions made in good faith are binding on all concerned. As this Court stated in *Shelton* v. *King*, 229 U.S. 90 (1913):

> "Trustees having the power to exercise discretion will not be interfered with so long as they are acting *bona fide*. To do so would be to substitute the discretion of the court for that of the trustees." (229 U.S. at pp. 94-95)

This rule has been followed consistently in cases involving union pension funds. See, e.g., *Bono* v. *Kramer*, 191 N.E. 2d 760 (Sup. Jud. Ct. Mass. 1963); *Pasternack* v. *Diamond*, 3 A.D. 2d 422, 161 N.Y.S. 2d 277 (1st Dept. 1957) *aff'd.* 5 N.Y. 2d 770, 179 N.Y.S. 2d 864 (1958); *Szuch* v. *Lewis*, 193 F. Supp. 831 (D.C.D.C. 1960); *Ashbee* v. *Brunie*, 50 CCH Lab. Cas. p. 32,005 (N.Y. Sup. Ct. Westchester Co. 1964).

The courts will overrule good faith decisions of trustees only where the trustees have not based their decisions on substantial facts or have failed to comply with provisions of the relevant trust instrument. *Forrish* v. *Kennedy*, 377 Pa. 370, 105 A.2d 67 (1953); *Thomas* v. *Kennedy*, 7 Pa. D.&C. 2d 613 (Pa. Ct. Common Pleas 1956). As has been shown, the Trustees herein relied *inter alia* on the express requirements of the Trust Agreement and the Pension Plan, on advice of counsel, and upon the uncontroverted fact that

Elmhurst never entered into any agreement with the Union as required by the Trust Agreement and Pension Plan.

Under these circumstances the Trustees' determination must be upheld even if it could be found that the requirements of the Trust Agreement and Pension Plan are not mandated by the LMRA. Thus in *Bono* v. *Kramer, supra,* the Court stated:

> "Upon the trustees was conferred full authority to determine all questions as to eligibility for and the nature, amount and duration of benefits to be provided . . . By the terms of the trust instrument they were directed to adopt rules and regulations governing eligibility for and the nature, amount and duration of benefits . . . We will not interfere with the actions of trustees to whom has been entrusted such extensive authority except upon clear proof that they are abusing their authority and acting in perversion of the trust. *Leverett* v. *Barnwell,* 214 Mass. 105, 108. *Sylvester* v. *Newton,* 321 Mass. 416, 421-422. *Boston Safe Deposit & Trust Co.* v. *Johnson,* 326 Mass. 664, 666. Restatement 2d Trusts, § 187 (comment j in particular). The broad grant of power lodged by the terms of the trust agreement relative to the adoption of rules and regulations was undoubtedly motivated by the recognized necessity of providing for the successful operation of a complex, inclusive, and important arrangement involving many employees. Determinations under the rules and regulations by the trustees as to identity of employees entitled to benefiits will not be distributed [sic] absent a showing that the actions of the trustees were arbitrary, capricious or in bad faith." 191 N.E. 2d at pp. 763-764.

There having been no question raised herein as to the good faith of the Trustees in making the controverted determination, this alone is sufficient to require sustaining the decision of the Circuit Court and denial of the application for a writ of certiorari.

CONCLUSION

For the foregoing reasons, the petition herein should be denied.

Respectfully submitted,

SAMUEL J. COHEN
Attorney for Respondents

Of Counsel:
COHEN and WEISS
SAMUEL J. COHEN
STANLEY M. BERMAN

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IN THE

Supreme Court of the United States

No. 1007

KATHLEEN MOGLIA,

Petitioner,

v.

JAMES GEOGHEGAN, PHILIP STACK, BENEDICT CIAVOLELLA, JOHN CODY, FRANK M. CAMPBELL, CHARLES J. MURPHY, FRANK L. KELLY, EDWIN E. REGNELL, JR., DUDLEY A. SAUNDERS, JOSEPH J. RYAN, WALTER SCHOFFMAN, ABRAHAM SCHWEBEL, CHARLES R. HERSEY and A. LAWRENCE GEROSA, As Trustees of Local 282—PENSION TRUST FUND,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

PETITIONER'S REPLY BRIEF

ISIDORE ENGLANDER
Attorney for Petitioner
250 West 57th Street
New York, N.Y. 10019

HERMAN ENGLANDER
of Counsel

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PETITIONER'S REPLY BRIEF

The Real Issue

The basic issue posed by this case is whether the written agreement specifying the detailed basis on which payments are to be made into the trust fund, as called for by Section 302 (c)(5)(B) of the Labor-Management Relations Act of 1947, is required to be signed, or whether the congressional mandate is satisfied if there is a written agreement, though not signed, which can be used as a frame of reference to which employers can adhere by making payments into the fund in accordance with the detailed basis specified therein.

In arguing against review of this issue, respondents in their brief to this Court (14-15) point to the clear language of the statute and the unanimity of the courts in interpreting its requirements. If the language of 302(c)(5)(B) is at all clear it is to the effect that a written agreement is required. Nothing is said about having the agreement signed. Had Congress intended that the agreement be signed, it "undoubtedly would have put it into the act itself" (*Dunbar* v. *Painters & Glaziers Dist. Coun.*, 129 F. Supp. 417, 423). Respondents apparently are of the belief that a written agreement denotes a signed agreement. That is not necessarily so. A meeting of minds may be reduced to writing, either by way of a memorandum or a note, which by assent of the parties thereto becomes a written agreement, though not signed.

The obvious intendment of the statute is to regularize and standardize payments by employers to union welfare and pension funds in order to eliminate improper payments by employers. The regularization and standardization of such payments was intended by Congress to be achieved by reducing to writing—by way of agreements, memoranda or any other written instruments—the detailed basis on which payments into the fund are to be made, (c)(5)(B), "with specificity" (*Arroyo* v. *United States,* 359 U.S. 419, 426) so that such payments would become "a matter of record" (*Lewis* v. *Seanor Coal Co.,* 382 F. 2d 437, 443) which employer-representatives, union members or any authorized governmental agency could examine to determine whether there has been proper administration of the trust funds. While it may be desirable from the point of view of the Fund or the contributing employer to have such an agreement signed, the signing of such an instrument is not essential to the carrying out of the legislative scheme. Insistence upon the signing of such agreements is, as we shall see, contrary to the practice widely followed in labor-management welfare and pension funds throughout the United States and would force many pension funds

to discontinue payments heretofore made to pensioners, their widows and orphans, and place many other deserving employees in the unhappy position of having lost their eligibility for pension or welfare funds through no fault of their own and through no misconduct on the part of the trustees administering the funds. The addition to the congressional mandate of a requirement that the written agreement be signed, though the express wording of the statute does not call for the signing and no legislative purpose would be served by such a requirement, is bound to create havoc in the administration of such funds and result in untold deprivation to many of the intended beneficiaries of such trusts. The very purpose of Congress in enacting (c)(5) would thus be defeated by a strained, forced and improper interpretation of legislation designed for the benefit of union members and their families.

Petitioner's position is further supported by the fact that the Congressional debates preceding the enactment of Section 302 contain no reference to a requirement that the written agreement be signed. The emphasis is on the insistence that the trust terms be definite and specific, in order to provide the means of holding the responsible trust officers strictly accountable for the proper administration of the trust funds. The remarks of Senator Taft bear this out.

At 93 Congressional Record, Page 4746:

> "So that the purpose of the provision is that *the welfare fund shall be a perfectly definite fund,* that its purpose shall be stated so that each employee can know what he is entitled to, can go to court and enforce his rights in the fund. . .
>
> "The employee has nothing to say about it. Certainly he is entitled to have us say that *the fund shall be definite,* that his rights shall be determined by law, and that he shall be able to demand them." (Emphasis supplied.)

At 93 Congressional Record, Page 4747:

> "The purpose of the amendment is to require that *the fund shall be established in definite, detailed form,* in the form of a trust fund, with respect to which the *employees can determine their rights* and can insist upon them." (Emphasis supplied.)

The exchange between Senator Taft and Senator Ferguson (93 Congressional Record, Page 4753):

> "*Mr. Taft*: The answer is that *the amendment requires that there be specified in the agreement the exact terms under which the benefits are to be received.* The complete terms with respect to benefits must be set out in the agreement. . .
>
> "*Mr. Ferguson*: I had in mind that at least he could require an accounting under the terms of the fund.
>
> "*Mr. Taft*: Yes, he could require an accounting. . . He would have no individual rights unless there were *provision in law for the inclusion of specific terms.*" (Emphasis supplied.)

The cases relied upon by respondents in support of their position that the written agreement is required to be signed (Br. 14-15) do not bear out their contention.

In *Rittenberry* v. *Lewis*, 238 F. Supp. 506, the United Mine Workers of America Welfare and Retirement Fund was established under the terms of the National Bituminous Coal Wage Agreement. Plaintiff asserted his right to a retirement pension although his employer admittedly was not a signatory to the National Bituminous Coal Wage Agreement and had not made any contribution to the Fund. In sustaining the defendants' motion for summary judgment, the Court stated (at p. 509):

> "It is apparent from the foregoing language that the trust authorized by Section 302 were [sic] for the payment of benefits to employees of employers lawfully making contributions to union welfare trusts. Both the legislative history of the Act and reason

> support this conclusion. That one who had never been an employee of a contributing employer might claim as a beneficiary of the trust merely by reason of being employed in the industry or by reason of union membership would obviously prevent any trust from being established upon a financially or actuarily sound basis. For it would be equivalent to permitting a person who had not been a party to a group insurance plan and for whom no premium contribution had ever been made, to nevertheless claim the status of an insured."

In *Bolgar* v. *Lewis*, 238 F. Supp. 595, the fact situation was similar to the one in *Rittenberry*. Plaintiff's employer was not a signatory to the National Bituminous Coal Wage Agreement nor did it make payments to the Fund during the period plaintiff allegedly worked for the company (p. 597). Under those circumstances, the Court properly concluded that plaintiff was not entitled to pension benefits and dismissed the complaint.

Bolgar and Rittenberry are clearly distinguishable from the instant case. There, the employer in each case had made no contributions to the Fund. Here, Moglia's employer did make regular payments into the Fund for a period of twelve years and the Fund accepted said payments.

The extent to which *Bey* v. *Muldoon*, 217 F. Supp. 401, is inapposite is clearly demonstrated by the following excerpt from the Court's opinion:

> "There can be no doubt that the payment here made does not meet the requirements of § 302(c)(5). It was not paid to a trust fund. It is not, as of now, held in trust for the purpose of being paid out for one of the permitted objects. There is no written agreement setting forth the detailed basis on which payments are to be made. There is no agreement providing for joint administration, with provision for resolving a deadlock, as demanded by § 302(c)(5)(B). There is no provision for an annual audit: § 302(c)(5)(B). In short, the demands of Congress, if a prohibited payment is to be transformed into a permitted one, have simply not been met." (217 F. Supp. at p. 403)

That *Lewis* v. *Seanor Coal Co.*, 382 F.2d 437, is of no help in resolving the issue before us is apparent from the very fact that there the written agreement's provisions relating to trust fund payments were attempted to be modified orally. What is significant, however, is the Court's reasoning in rejecting the claim that such an oral modification was valid (382 F.2d at pp. 442-443):

> "It would be, at the least, incomplete to require for the benefit of the employees and to prevent collusive or fraudulent side arrangements between employers and union representatives that the benefits which the employees are to receive from union welfare funds shall be specified in a written agreement with the employer and yet to permit the written foundation on which the welfare fund rests, in this case calling for the amount of the royalties payable on coal mined, to be the subject of oral modifications. It would expose employer and union representatives alike to the temptations of corrupt bargains, for it would permit the union to extract from an employer a secret promise to pay some other amount into the fund *without requiring such payments to become a matter of record* and thus would frustrate the purpose of § 302(c)(5)." (Emphasis supplied.)

The very fact that the respondents are forced to rely on these wholly irrelevant cases to buttress their argument that (c)(5)(B) requires that there be a signed written agreement is in itself proof—what exhaustive research has already established—that there is no reported case dealing directly and squarely with this issue. The only reported case that meets this issue head-on is *Dunbar* v. *Painters & Glaziers Dist. Coun., supra* (Pet. 14). With all due respect to the Court of Appeals, the quotation from *Dunbar* (Pet. p. 14) relied upon by petitioner may be dicta, but inapposite dicta it is not.

The Importance of This Issue

In opposing the granting of a writ by this Court, respondents (Br. 15) attempt to "play down" the importance of this issue. This is somewhat at variance with the statement made by respondents' counsel in his affidavit in support of respondents' application for an adjournment of the argument of the appeal before the Court of Appeals. There he stated:

> "This case concerns the interpretation of basic statutory requirements for participation in union pension funds established and maintained pursuant to the Taft-Hartley Act and is of great importance to the administration of such funds throughout the country. Research has failed to disclose any Circuit Court decisions dealing with the issues decided by the District Court."

Furthermore, in their Answer to petitioner's complaint, respondent stated that:

> "The issues raised in this action may be expected to arise in future situations involving applications for benefits under the Pension Plan of Local 282—Pension Trust Fund . . ." (Pet. 33a n. 7)

Under the circumstances, it is difficult to believe that respondents, as Trustees of the Local 282—Pension Trust Fund, are wholly unaware that this case has aroused considerable national attention and that the holding of the Court below is viewed with great concern and consternation by those charged with the administration of Section 302 trusts.

This case was discussed briefly in the Legal-Legislative Reporter News Bulletin of the National Foundation of Health, Welfare and Pension Plans. It was thereafter discussed in greater detail in the Current Cases-Pending Legislation monthly materials which are a part of the Negotiated Employee Benefit Plans Service sponored by

the National Foundation in cooperation with Callaghan & Company. At the 1969 annual seminars, to be held in various cities of the country, the case will be the subject of still further discussion (See announcement appended hereto of topics to be discussed at the 1969 seminars of the National Foundation).

Labor Law Bulletin #2-69 of the Associated General Contractors of America is devoted solely to a discussion of *Moglia,* and attached to the Bulletin is the full text of the Court of Appeals opinion. The next bulletin of Associated General Contractors of Massachusetts will contain a note dealing with *Moglia.* Still other articles, comments and notes on *Moglia* are in the process of preparation for publication in various legal and labor publications.

Counsel for numerous Taft-Hartley Trusts from all over the country have either written or telephoned to express their dismay. They are seriously perturbed by the very difficult steps their clients will be forced to take in compliance with the ruling of the Court below. Unless this Court reverses, the Trustees of many Funds will be compelled to discontinue making pension payments to pensioners, their widows and orphans, who have been receiving pensions for many years, and to declare many others ineligible for pension or welfare benefits. However, notwithstanding their marked concern, they have for obvious reasons shied away from taking any steps that may result in identifying their clients as having failed to comply with Section 302 requirements.

Respectfully submitted,

ISIDORE ENGLANDER
Attorney for Petitioner
250 West 57th Street
New York, N.Y. 10019

HERMAN ENGLANDER
of Counsel

March 7, 1969

APPENDIX

What Is Ahead for Private Funds — Government Takeover or Partnership?

WHAT ARE THE PROBLEMS?

What governmental regulations exist today?
What is being proposed in the 91st Congress?
What future controls can be anticipated?

AMONG THE PARTICIPATING SPEAKERS ARE:

James A. Curtis, F.S.A.
Vice President and Consulting Actuary
Milliman and Robertson, Inc.

"SOCIALIZED MEDICINE FOR EVERYONE BY 1976?"

Is this desirable? Is it inevitable?
Will private funds still exist?
Will unions still bargain for benefits?
What will happen to trustees and administrators?
What is government's present role and future role?

Richard P. Donaldson, Esq. – *Partner*
Bussel, Donaldson & Hafer

RECENT COURT DECISIONS

Here Comes the Judge! (Will we all go to jail?)
An explanation of *Moglia v. Geoghegan*

Nelson McClung – *Executive Director*
President's Committee on
Income Maintenance Program

WILL GOVERNMENT CONTROLLED PENSIONS BE NEXT?

What is the purpose of pensions?
– Income replacement
– Income maintenance
– Income redistribution
What is the future for private programs and public programs?

Carlton Stokes – *Vice President*
Cordey Associates

W. W. Ward – *Moderator and Regionals Committee Chairman*
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